

|           |       |             |       |              |       |             |       |
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| Australia | 50.22 | Indonesia   | 10.10 | Peru         | 10.10 | Spain       | 10.10 |
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| Canada    | 10.10 | Japan       | 10.10 | Sri Lanka    | 10.10 | Thailand    | 10.10 |
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| France    | 10.10 | Malaysia    | 10.10 |              |       |             |       |
| Germany   | 10.10 | Mexico      | 10.10 |              |       |             |       |
| Greece    | 10.10 | Norway      | 10.10 |              |       |             |       |
| Hong Kong | 10.10 | Netherlands | 10.10 |              |       |             |       |
| India     | 10.10 | Norway      | 10.10 |              |       |             |       |

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,356

Wednesday October 7 1987

D 8523 A

Fiji's other tragedy:  
the suffering  
economy, Page 3

## World News Business Summary

### Col Rabuka declares Fiji a republic

Col Sitiveni Rabuka declared Fiji a republic, ending hopes of a negotiated end to the crisis in the island's government since the coup 11 days ago. He said the new constitution would give recognition to Melanesian Fijians.

#### Merkle charged

West German state prosecutors charged Hans Merkle, head of the supervisory board at the Robert Bosch electricals group, with tax evasion in an apparent extension of the so-called "Flick" political corruption scandal. He is the most senior industrial figure to have been caught up in the affair. Page 2

#### Baghdad raids

Iraq threatened to retaliate after Iranian missile attacks on Baghdad by attacking Tehran and other Iranian cities with long-range missiles, warplanes and artillery. Page 2

#### Defence order

The UK Government announced an order for the second Trident nuclear ballistic missile submarine and invited tenders for up to four Type-23 frigates for the Navy, underlining Britain's commitment to an independent nuclear deterrent. Page 5

#### Senate ban

The US Senate voted for a second time to ban all Iranian imports, including oil. US Energy Secretary John Herrington said he supported the oil boycott as a "moral statement". Page 4

#### Manila arrests

Forteen soldiers and civilians were arrested during a military operation in Manila aimed at pre-empting a coup. Col Honasan, leader of the rebel military, said his supporters would eventually strike again. Earlier report, Page 3

#### Tigers' revenge

Tamil Tiger guerrillas executed eight captured Sri Lankan soldiers and launched attacks following the outside of guerrillas in Sri Lankan custody as Trincomalee residents said Indian soldiers refused to intervene while guerrillas burnt houses. Page 2

#### Schlueter appeal

Danish Prime Minister Poul Schluter appealed for support in Parliament for his minority Government after last month's inconclusive elections and warned that instability and further elections could be damaging. Page 2

#### ANC arrests

South Africa arrested 11 people in Cape Town who they claimed commanded an ANC network in the Western Cape.

#### Budget blocked

Spain rejected Denmark's proposals on the EC budget deadlock after they were announced at the weekend, causing the 12 member states to overrun the legal deadline for presenting a draft budget to the European Parliament. Page 2

#### Mubarak re-elected

Egypt's President Hosni Mubarak won a second term with a majority of 97.13 per cent in a national referendum as the only candidate. Page 3

#### Salinas resigns

Carlos Salinas, chosen to succeed Mexico's President Miguel de la Madrid, resigned as Planning Minister, as part of a gradual cabinet reshuffle. Page 4

#### Kenya aid

The EC gave \$80m in grants and soft loans to Kenya to finance two road projects and research programmes in agriculture and livestock.

### Wall St suffers 91-point plunge

WALL STREET suffered its biggest one-day points decline in history on fears of higher interest rates and predictions of a technical short-term drop for the market.

The Dow Jones Industrial Average lost 91.55 to close at 2548.63. The fall was 3.5 per cent in percentage terms, surpassed only by a 4.6 per cent drop in September, 1986. Page 44

IBM, world's largest computer company, launched a private telephone exchange in a drive to boost its share of the European telecommunications equipment market. Page 20

MATRA, state-owned French defence and electronics group which has a 50 per cent share of consolidated net income edged up to FF41m (\$6.7m) in the first half of 1987, against FF34m a year earlier.

JAPANESE Ministry of Finance has cancelled this month's planned issue of 10-year government bonds, its primary source of long-term funds, because of the recent rapid fall in bond prices. Page 25

TOKYO: High-technology and large-capital stocks continued to command investor attention and closed up, with the Nikkei average up 25.04 to 25,088.97. Page 44

LONDON: The steep fall on Wall Street sharply depressed UK equities towards the end of a cautious session. The FT-SE 100 index closed down 17.9 at 2,367.5 and the FT Ordinary index fell 15.4 to 1,593.3. Details, Page 46

GOLD rose \$125 on the London bullion market to \$457.75, Zurich it rose to \$458.55 (\$458.25). Page 32

DOLLAR closed in New York at DM1.333, SF1.0545, SF1.3305 and Y146.7. It fell in London to DM1.3300 (DM1.3425), to Y146.70 (Y146.80), to SF1.3305 (SF1.3335), to FF1.075 (FF1.0825). On the Bank of England figures the dollar index fell 0.6 to 102.3. Page 33

STERLING closed in New York at \$1.6335. It rose in London to \$1.6320 (\$1.6340), to DM2.5975 (DM2.5925), to Y238.5 (Y238.5), to SF2.4575 (SF2.4525), and to FF1.075 (FF1.0825). The pound's exchange rate index rose 0.2 to 73.2. Page 33

RHONE-POULENC, French state-owned chemicals group, reported a 15 per cent rise in first-half net profits, to FF1.14bn (\$185m) from FF950m (\$145m) for the first six months of last year. Page 2

FORJOLA, Finland's leading insurance company, plans to raise FM 488.5m (\$35m) including a premium of FM 448m with a rights issue. Page 23

USG, building products group which is America's largest gypsum producer, has come under a fresh takeover assault with the announcement by two independent Texas investors that they hold nearly 10 per cent of the Chicago company. Page 21

CIE FINANCIERE de Suez has attracted strong foreign demand for shares strong and the public offer has been oversubscribed 5/4 times, according to Banque Indosuez, the lead underwriter. Page 22

SVENSKA HANDELSBANKEN and FKBANKEN, Sweden's second and third largest banks, both suffered a drop in group operating profits in the first eight months. Page 23

PACIFIC DUNLOP, Australian industrial group, is to acquire control of GNB Holdings, US automotive and battery maker, for A\$173m (US\$124m).

TOP-DENMARK, country's third largest insurance group, reported unchanged first half operating profits of DKr68m (\$9.7m), with the long, harsh winter causing a rise in motor vehicle damage claims.

MANUFACTURERS Bank, sixth largest US banking group, has announced it will reconvert \$50m out of its pension fund as part of a multiple effort to plug the holes in its capital base left by provisions against shaky Third World loans. Page 21

## Iran casts around for response to ship losses

BY ANDREW GOWERS IN DUBAI



AS IRAN reels from this week's Iraqi air raid on its Hormuz oil terminal at the southern end of the Gulf, the country's leaders must be feeling in something of a tight corner.

This week's Iraqi attack, in which five ships were damaged - one of them, the Cyprus-flag Shining Star, apparently gutted - was the heaviest blow Baghdad's jets have inflicted on ships serving Tehran's vital oil export lifeline in the seven-year-old Iran-Iraq war.

It was also the culmination of two weeks of punishing air strikes on the Iranian coast and close to its Kharg and Larak oil terminals. Iran responded with two reported missile attacks on Baghdad overnight and yesterday Iraqi

warplanes were seen heading east towards Iran as Iraqi officials threatened missile and air raids in retaliation.

The Iraqi strikes are making it increasingly difficult for the Iranians to keep up their shipments. In August, they used a de facto ceasefire at sea to step up their exports to an estimated average of 2.8m barrels a day - a far cry from the much-reduced level their shipments had sunk to late last year. But with Iraq showing fresh determination to throttle the industry which fuels its enemy's war machine, it seems unlikely that the peace will be attained again in the foreseeable future.

This week, the Cyprus-based newsletter Middle East Economic Survey reported that Ira-

nian exports were down to 2.2m barrels a day in September, and that Iran had been forced by the persistent Iraqi raids to charter 14 extra tankers, in effect doubling its fleet.

It would not be surprising if some of Tehran's foreign customers were increasingly wary of sending their own vessels to Larak or Hormuz, as the Japanese have shown themselves to be, although yesterday Japan's seamen's union and shipowners were reported as saying they would resume daylight sailing in the Gulf today.

The pressure is now on Iran to find some damaging form of retaliation for Iraq's recent actions. That has always been the gist of the Tehran Government's rhetoric: "If the Gulf becomes

unsafe for us, then we will make it unsafe for everybody."

But here too, the Iranians' room for manoeuvre is severely limited by the heavy presence of foreign naval forces in the Gulf. They have talked repeatedly of confronting the US in recent days, of retaliating for the American seizure and scuttling of an Iranian vessel which Washington says it discovered laying mines. But, however much Iraq may want to provoke Iran into a fight with Uncle Sam, Western diplomatic and other observers in the region question whether Iran really wants a showdown with such a powerful opponent.

Mines have in the past proved US pressure, Page 4 Continued on Page 20

## US senate committee rejects Bork nomination

By Stewart Fleming in Washington

PRESIDENT REAGAN'S prospects of securing the appointment of Judge Robert Bork, a staunch conservative, to the US Supreme Court suffered a severe blow yesterday when the Senate Judiciary Committee voted by 9 to 5 to recommend that the nomination be rejected.

This is a stunning political reversal for Mr Reagan who only a few weeks ago was confident that a victory in the battle over the Bork nomination would provide further evidence that his political fortunes were reviving in the wake of setbacks suffered from the Iran/Contra scandal.

After the vote Senator Joseph Biden, the Democrat who chairs the Judiciary Committee, predicted that the full Senate would vote next week on the nomination. But he added that there is now "no possibility" of it being approved - a view widely shared by both Republicans and Democrats in Washington.

Eight Democrats, three avowed conservatives, were joined by one of the six Republican committee members in opposing Judge Bork's nomination - a man whose appointment has been promoted by right-wing conservatives.

Conservative lobbyists have been convinced that his presence on the nine member Supreme Court would tilt the balance to the right and create a five person conservative majority which could begin to roll back judgements on such issues as abortion and affirmative action which they have been fighting to overturn.

The focus of attention immediately shifted to the White House, which has been insisting that even if the Judiciary Committee voted against the nomination the Administration would continue the fight on the floor of the Senate. "Over my dead body," President Reagan retorted when asked on Monday if the Bork nomination was going down to defeat.

Yesterday's vote revived speculation that either Judge Bork would withdraw his name himself or, rather than press ahead on what appears to be a hopeless and humiliating course, Mr Reagan would surrender.

Mr Reagan, however, is being pressed by conservative supporters not to withdraw on the grounds that they can make the Bork nomination an issue around which they can rally support in the 1988 election. On this view, by forcing the issue to a vote on the Senate floor they are also forcing opponents of Judge Bork to identify themselves as political targets for right wing activists in next year's elections.

## Brussels to seek cuts in farm subsidies but increases in tariffs

BY TIM DICKSON IN BRUSSELS

A COMMITMENT to the gradual reduction of agricultural subsidies, along with a call for an immediate international effort to reduce the world's largest food surplus, will be made in Brussels today.

But, in a move that is bound to antagonise the US, the European Commission will warn that import tariffs on some products will have to be increased. The eagerly awaited policy statement, which is expected to be approved by a full meeting of the 17 man Commission today, will be presented to this month's meeting of EC foreign ministers as the Community's proposed negotiating position for the forthcoming talks on agriculture in the General Agreement on Tariffs and Trade (GATT).

The momentum for effective action to tackle global agricultural surpluses has been growing since last September's outline agreement in Punta del Este at the start of the so-called Uruguay round. Important discussions were held in the context of the Organisation for Economic Co-operation and

Development (OECD) and the Venice Summit in June, but the issue was highlighted most dramatically by President Ronald Reagan's call in July for a phased elimination of subsidies over the next 10 years.

Policy-makers in Brussels recognise that the high level of agricultural support is the main problem but they feel that their own position is a more realistic one. Official confirmation last night that the main points would include a short term commitment to tackle the biggest surplus, notably those of cereals, dairy and sugar. Ideas for action are likely to include agreement on minimum prices, market shares for the major producers, and controls on the levels of imports.

In the longer term, the Commission accepts the need to reduce subsidies and to adjust output levels. However, while the Brussels paper will make clear that some external tariffs are very high - notably in cereals - it will also note that in other areas, such as cereals subsidies, the EC position is not as strong. Future policy would thus be

based on a lowering of some barriers - the paper does not specify which ones - and the erection or reinforcement of others.

The paper will stress the need to find means of securing farm incomes other than through price support, but there will be a strong commitment to Europe's family farm structure and at least an implicit rejection of policies which encourage the creation of large agricultural units.

The Commission will draw attention to the cuts made in EC agricultural support since 1985 and will maintain that these should be taken into account in future negotiations. The concept of producer subsidy equivalents (PSE) - a measure of relative agricultural support levels refined in the OECD - is accepted in principle provided certain changes are agreed.

The paper will make clear that negotiations on agriculture "go hand in hand with negotiations in other areas, notably on industrial products and services."

## Poehl voices doubts over IMF price index scheme

BY HAIG SIMONIAN IN FRANKFURT

MR KARL Otto Poehl, the West German Bundesbank president, yesterday expressed scepticism about the potential role for a commodity price index being developed by the IMF.

His speech in Berlin appears to put the Bundesbank president at odds with Mr James Baker, US Treasury Secretary, who has been working for an index as an anchor for the anti-inflation policies of the Group of Seven major industrialised economies.

Mr Poehl also said that West German interest rates were not

on a long-term upward trend, despite the substantial expansion in German money supply this year.

He welcomed the increasing role of "objective indicators" in international monetary co-ordination, which would put discussion on a more factual basis and described as a "useful early indicator" the index of commodity prices, including gold, which the IMF plans to develop as a leading indicator of inflationary trends.

However, Mr Poehl stressed that no government or central

bank would be willing to accept "quasi-automatic orders on how to act" which stemmed simply from changes in certain statistics.

Moreover, he expressed considerable scepticism about the difficulties in producing such an index, which could be influenced by producer cartels of a particularly important raw material, such as oil, or by manipulation on the part of gold producers or holders. "Therefore I must express my doubt whether

Continued on Page 20

## STC stake may go to Canada

BY TERRY DODSWORTH AND DAVID THOMAS IN LONDON

NORTHERN TELECOM of Canada, the world's fourth largest telephone equipment manufacturing group, was yesterday close to signing a \$400m (\$62m) agreement to purchase a 24 per cent stake in STC, the UK's second biggest electronics company.

STC, which owns the ICL computer concern and a range of telecommunications activities, has been the subject of strong market speculation recently following a spectacular profits recovery over the past year.

Negotiations on the STC shareholding, currently held by IIT, the US conglomerate, reached a climax in New York yesterday amid a flurry of market rumours which propelled the STC share price up by 19p to 307p.

Several companies were mentioned in market speculation, including Siemens of West Germany and Fujitsu of Japan, but

indications last night were that Northern Telecom was near to closing the deal.

The talks follow two other recent moves that have substantially changed the shape of the UK electronics industry: the decision to combine the telecommunications activities of Plessey and GEC, and Ferranti's agreement to merge with International Signal and Control of the US.

They mean that all four of Britain's largest electronics and telecommunications companies have been involved in moves within the past two weeks that will change the direction of their activities.

A sale of the STC shareholding had been expected for some time, and will lead to a further step in IIT's retreat from the telecommunications industry. It began this withdrawal at the end of last year when it sold the

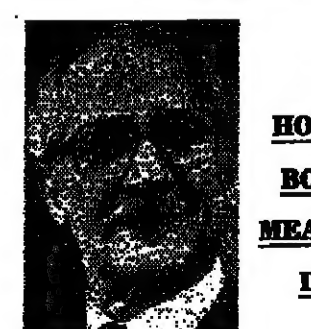
majority stake in its European telephone activities to Alcatel of France, a move which has allowed it to concentrate on its expanding financial services and components interests.

Northern Telecom has made no secret of its wish to build up its sales outside North America, where it is second only to Ameritron by about 300 million, by acquisitions, strategic alliances and direct investment.

However, Northern has struggled to become a big player in many markets outside North America, which last year accounted for more than 95 per cent of its \$4,394m sales. It failed earlier this year to gain control of CGCT, the second French exchange manufacturer, having previously failed to become the second public exchange supplier to British Telecom.

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Mrs Stahlbaum's family is just one of millions split by post-war East-West break-up, Page 19

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## EUROPEAN NEWS

## SPAIN REJECTS FINAL COMPROMISE ATTEMPT

## EC fails to meet budget deadline

BY QUENTIN PEEL IN BRUSSELS

VIRTUALLY THE last hope of agreeing on a 1988 budget for the European Community before the end of the current year expired yesterday, when Spain rejected a final attempt at compromise.

The deadlock means that the 12 member states have failed to meet the legal deadline for presenting a draft budget to the European Parliament, and now face the threat of being taken to the European Court of Justice.

It is almost certain to mean that the EC will have to operate for several months of 1988 on a system of emergency financing, effectively ruling out any new policies being undertaken, and cutting all other budget lines to zero growth.

Spain yesterday refused to

leave the blocking minority of member states - the others are the UK and Greece - refusing to sanction a Ecu30.3bn (£27.5bn) budget, when available resources are less than Ecu3.5bn. All three opponents know that by blocking the budget, they raise the pressure for all 12 to agree on a complete overhaul of their finances at their December summit.

The system of "provisional" financing, allowing spending to continue every month at one twelfth of the previous year's rate - can cause considerable administrative chaos in EC programmes, and would almost certainly hit agricultural spending inflated by the need for high export subsidies to counter the effect of a falling dollar.

The emergency financing would also be unable to cope with a rush of demands for delayed farm spending held over from the last three months of the current year, for which there is simply not enough cash available in the 1987 budget.

Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, was last night writing to Lord Plumb, the president of the European Parliament, explaining the Council's failure to agree a draft budget. The Parliament must now decide whether to back the European Commission in its promised legal challenge to the EC Council, or to accept the Council's failure to provide adequate financing.

The Commission will serve

notice that the Council - the decision-making body of the 12 member states - has failed to carry out its duty under the Treaty of Rome. A two-month delay must then elapse, allowing the Council time to resolve the problem.

That delay conveniently expires the day after the Copenhagen summit, although it is by no means sure that the 12 can sort out their long-term cash crisis by that stage. A total package of reforms includes detailed limits on farm spending, sector or by sector, commitments to increase the funds available for social and regional policies, and a new system of national contributions intended to be more equitable to major net contributors like the UK.

## N-power producers to set up safety link

By George Graham in Paris

THE WORLD'S nuclear power producers are to set up a new international organisation to share information and improve safety in the operation of their plants.

Chief executives representing 65 per cent of the world's nuclear power generating capacity decided yesterday in Paris to create four new centres which would act as international exchanges between electricity producers in Europe, North America, Japan and Eastern Europe.

Lord Marshall of Goring, chairman of the Central Electricity Generating Board, said the agreement, which he chaired the meeting, was the aim was to maximise safety by exchanging information, encouraging comparisons and stimulating companies which operate nuclear plants to emulate each other.

Mr Jacques Leclercq, director of the French state utility, Electricite de France, said the agreement laid the foundations for a world nuclear safety federation.

The agreement reached yesterday is viewed as an important step forward in safety co-operation among electricity producers. It builds on existing information sharing arrangements in North America and Europe, and creates formal links with the Soviet Union and the Far East of the world.

Although the Soviet Union has begun to exchange nuclear plant operating information with the West since the dismantling of its Chernobyl power plant last year, yesterday's agreement takes these exchanges a stage further.

One of the four information centres planned will be in Moscow, with others in Paris, Atlanta and Tokyo. An umbrella organisation is likely to be set up with its headquarters in Vienna, near to the International Atomic Energy Agency, or London.

The IAEA has played an expanding role in promoting nuclear safety since the Chernobyl disaster, but represents a different approach to safety, rather than putting the emphasis on an agreement with the EC on a joint declaration by the EC and Comecon as a whole. However, both bilateral and multilateral recognition agreements are expected to be reached by detailed trade agreements with several of the Comecon states in the coming months.

## European Diary



W. Germany

West Germans like their lives to be very well regulated, writes Peter Bruce in Bonn. But breaking the rules gives many of them almost as much pleasure as making them

## Rules - a German growth industry

WHEN THE new exit barrier in a parking garage near West Germany's Parliament in Bonn stopped working one day last week three local motorists got out of their cars and, after glancing furtively about, wrenched the offending arm from its socket and drove through, giggling.

Breaking rules in West Germany is often deeply satisfying. The smallest rebellions - crossing on a red light, buying a bottle of milk just after the shops are supposed to have closed at 6.30pm - can be very uplifting. The pleasure in breaking rules corresponds, it seems, to the number of rules to break, and in West Germany there are a lot.

The big rules are harder to break. The Industry Association of German Bread and Baked Goods complained bitterly recently about a 72-year-old law which bans all baking before four in the morning. Given that the smell of bread baking is unmistakable, it would be hard to cheat.

And just in case anyone thinks the rules are somehow going to be lightly swept away one day by some great liberalising Teutonic hand, a Frankfurt court last week ruled that shops at Frankfurt airport could serve travellers only, and not as they had been for years, just anyone. The shops were a last resort for desperate shoppers who fall foul of laws that close all shops at 6.30 in the evening or at 2pm on a Sunday or four Saturdays a month.

The Germans, though, can be even harder on foreigners than they are on each other and the rules are most fearsome when outsiders try to sell their products.

Take the Belgian company which wanted to begin marketing a draught beer pump here. Germans do not drink beer from just any old pump. There are German norms and dozens of technical rules that shape the pump. A good pump flows out in one form 35 times to the Schenckelapfeil (the beer pump testing bureau) in Frankfurt could begin its examination and approvals process.

The Belgian pump eventually got through, but product approval is almost always a nightmare. There are, says one European diplomat who has spent 13 years studying West German non-tariff trade barriers, some 26,300 DIN (German Industrial Standards) norms in operation and a further 45,000 technical rules governing what they things have to be made. He calculates that, in their passion for order and regulation, the West Germans have invented new technical rules every day.

The DIN norms are a constant source of frustration for foreigners because they tend to be much tougher than other international standards. In most Western countries, for instance, a tow bar used for pulling trailers

or caravans is tested by pushing down and pulling back on it. The Germans also pull it up - a test which few foreign tow bars pass.

All the talk about an open market for the European Community after 1992 is Utopia, says the diplomat - the German rules effectively close off the market to hundreds of foreign products.

Everything gets tested. A few years ago local laws were changed to allow reflectors to be used on bicycle spokes and a Belgian (another one) producer, already in possession of International Standards Organisation approval from Geneva, thought he would try his luck. He did not have any.

The Germans said the reflectors had to be tested to German standards and in the year it took to do so, the market vanished. Products have to be "safe" and West German law holds local distributors responsible for any failure of the (foreign) product they sell. That makes West German distributors very conservative people.

Heaven help the man who sells an improperly labelled item of food here. West German standards for almost all foods are derived from traditional recipes only, and not as they had been for years, just anyone. The shops were a last resort for desperate shoppers who fall foul of laws that close all shops at 6.30 in the evening or at 2pm on a Sunday or four Saturdays a month.

Most of the rules are dreamt up by the hundreds of industry associations - from the Fachverband Kartenerpackungen fuer flussige Nahrungsmittel (the trade association of cardboard packaging of liquids) to the Bundesverband Deutscher Kartoffelfabrikanten (the Federal Association of German Potato Distillers) - to keep order among thousands of small businesses. The effect is probably not intentional.

One should not be too charitable, though. The West Germans have begun to cheat a little on public tenders, which, according to EC regulations, are supposed to be open. Increasingly, tender announcements say that extraordinary offers are also welcome. That means an original tender which does not exactly reflect the published requirements. These offers do not have to be made public and, say some complaining Europeans, often win.

Of course, some of West Germany's neighbours are famously protective of their own construction industries, but the Federal Republic must surely have walked away with first prize in 1985 when a foreign tender for a sewage plant was rejected because the offered price was too low. The authorities told the amazed bidder they did not believe he could do the job for so little.

## Soviet ban lifted on Stalingrad novel

By Patrick Cockburn in Moscow

A SOVIET magazine is to start publishing the long banned novel *Life and Fate* by Mr Vasily Grossman in what one Soviet literary critic has described as "the most significant cultural event in the Soviet Union for years."

The novel, which takes place during the battle of Stalingrad, deals extensively with Stalin's purges, torture in prison, anti-Semitism and other topics previously censored.

Some Soviet critics regard Grossman's work as superior in quality to Solzhenitsyn's though dealing with similar themes. They say its publication in full will have much greater impact within the Soviet Union than anything published since censorship was relaxed in 1986.

Mr Vasily Grossman, the author, was a war correspondent for the military daily *Krasnaya Zvezda* (Red Star) in the war, during which he covered the battle of Stalingrad. He was subsequently arrested in 1948 and 1942-43 was the turning point of the war on the eastern front.

The monthly magazine *Otkrytyy Arkhiv* has now signed a contract to start the publication of *Life and Fate* next year. Mr Grossman died in 1964 after his novel had been rejected for publication and almost all manuscripts of his work confiscated, though one survived to be published in translation in the West.

There is now strong competition among Soviet publishers and magazines for works on "hot" political and social themes previously banned by the censor. For instance novels such as Anatoly Rybakov's *Child of the Arctic* dealing with Stalin's terror and Moscow society in the 1930s was written during the 1930s but published only this year.

Grossman's life and work is described sympathetically and at length in the latest issue of the weekly *Ogonyok*, the popular colour magazine, which is one of the flagships of the radical intelligentsia.

It describes how, after the confiscation of *Life and Fate*, Mr Grossman had little money and earned his living by translating novels from Armenian into Russian. He also wrote short stories for *Ogonyok*, the main liberal literary journal under President Khrushchev, but refused to make changes demanded by the editor so they remained unpublished.

Publication of Grossman's last book uncovers an indication that greater freedom of expression introduced by Mr Mikhail Gorbachev's Chief of Staff, Mr Alexander Yakovlev, the party secretary for propaganda and a member of the politburo, is continuing undiminished.

The move among the Soviet intelligentsia has changed since 1985 when Mr Gorbachev took over according to Mr Boris Karavitsky, one of a new generation of liberal literary critics who have become vocal over the last year. The grip of conservatism and censorship on the main cultural unions - writers, artists and theatre - into which full-time Soviet intellectuals are organised has been broken or much reduced.

However, Mr Karavitsky also says: "The trouble with the liberal intelligentsia was that it showed itself quite incapable of any constructive initiative of its own, preferring just to applaud Mr Gorbachev's decisions."

In this sense events keenly awaited by the intelligentsia such as the rehabilitation of Bukharin, the most prominent of the old Bolshevik leaders executed by Stalin in 1938, or even the publication of *Life and Fate*, may be a somewhat dated barometer of the state of Soviet intellectual life.

The critical point for intellectual life in the Soviet Union, says Mr Karavitsky, is that it is needed for freedom of expression about the present and the past but what to do with that freedom once achieved.

The fact that notable books published in 1986 by Mr Karavitsky, "bear witness not only to the disappearance of many censorship restrictions but also to the decline of analytical thought."

Many writers in Moscow fear that the present thaw will be followed by a renewed freeze but there is little evidence of this. Mr Gorbachev and Mr Yakovlev have said they see most of the present critical literature as a perfectly acceptable sign of intellectual vitality rather than undermining the Soviet system.

## Chief of Bosch on tax charge

BY PETER BRUCE IN BONN

WEST GERMAN state prosecutors have charged Mr Hans Merkle, head of the supervisory board at the Robert Bosch electrical group, with tax evasion in what appears to be an extension of the so-called Flick political corruption scandal.

Prosecutors in Stuttgart confirmed yesterday that Mr Merkle, 75, had been charged on July 22 with making illegally high, tax deductible payments to an organisation that had then passed the donations on to conservative political parties.

Mr Merkle, the most senior industrial figure to have been caught up in the affair. He led the Bosch group for 21 years before vacating the executive seat in 1994 and is credited with the group's post-war success. He sits on the supervisory board of the Deutsche Bank.

Bosch said yesterday that the Stuttgart prosecutors had approached Mr Merkle last year and offered to drop their investigation against him if he paid a fine.

The company said Mr Merkle rejected the offer and regarded the charges against him as "unjustified."

The foundation Mr Merkle is said to have made his donations to - the Society for the Promotion of the Economy in Baden-Württemberg - passed money chiefly on to the liberal Free Democrats (FDP - Mr Lambsdorff's party) and Chancellor Helmut Kohl's Christian Democrats (CDU).

Bosch said that the financial support given to political parties, now regarded as illegal by prosecutors, was then regarded "by all concerned" as entirely proper.

The senior state prosecutor in Stuttgart, Mr Dieter Jung, said he believed another four people would be charged in connection with donations to the society.

## Italian budget proposals raise inflation fears

By Alan Friedman in Milan

THE Governor of the Bank of Italy yesterday warned that aspects of the Government's 1988 budget proposal, especially the increase in indirect taxes, could fuel a renewed rise in inflation.

Speaking in Rome before a joint session of the budget committees of the two houses of Parliament, Mr Carlo Azeglio Ciampi, praised the Government's effort to rein in public spending. He warned, however, that increases in indirect taxation, such as VAT, "will provoke a mechanical rise in prices."

It would have been preferable to have introduced measures designed to combat tax evasion. He termed the rise in indirect taxes as being "not without risk."

Mr Ciampi said the Government's economic policy must be aimed more at curbing inflation, internal demand and at controlling the "determinants of the inflationary process." Only by slowing down inflation could Italy come to terms with the conflict between a monetary policy aimed at stability and the need to finance the public sector deficit.

## Moscow mission signals thaw in relations with Brussels

BY QUENTIN PEEL

A TOP-LEVEL delegation of Soviet politicians arrived in Brussels last night for a series of "informal" talks at the European Parliament, in another clear indication of the thaw in relations between Moscow and Brussels.

The delegation led by Mr Lev Tolstunov, president of the Supreme Soviet, has come as talks between the European Community and member states of Comecon, the East European state trading bloc, are nearing agreement on a form of mutual recognition.

For the past 30 years the Soviet Union, in particular, has studied relations in international organisations, but now seems ready to drop that position.

The main outstanding problem is how to refer to the status of West Berlin in any agreement - whether in the body of the text, as the EC insists, or in a footnote, as Moscow wants. It has apparently been agreed that tacit recognition of West Berlin as part of the EC can be included in one form or another, already a concession on the part of East Germany, as well as the Soviet Union.

The 10-strong Soviet delegation has been invited by the 165-strong Socialist group in the European Parliament, and will hold talks on security and disarmament, human rights and economic questions.

Mr Tolstunov said on arrival in Brussels that his delegation's

informal visit was an important one. He decided there would soon be a decision about the declaration by the EC and Comecon. There is not a moment to lose, he said.

The remaining point of difference between the EC and Moscow, in particular, is that the Community wants to agree on closer relations with the individual Comecon member states, rather than putting the emphasis on an agreement with Comecon as a whole. However, both bilateral and multilateral recognition agreements are expected to be reached by detailed trade agreements with several of the Comecon states in the coming months.

## Soviet farm chief flies to US

BY OUR MOSCOW CORRESPONDENT

MR VIKTOR NIKONOV, the Soviet Communist Party secretary for agriculture, left for the US yesterday where he will meet President Ronald Reagan and visit American farming areas.

Appointed to the Politburo in June, Mr Nikonov, always an agricultural specialist, is in charge of introducing reforms aimed at lifting agricultural

output, the low level of which has been the traditional bail-out chain on Soviet economic progress.

Moscow has always admired American agricultural expertise, so Mr Nikonov's tour of US farming areas is not surprising. His meeting with President Reagan coincides with preparations for a summit with Mr Mik-

hail Gorbachev, the Soviet leader, probably in November.

Mr Nikonov will return to the Soviet Union in eight days when it is likely he will face a special meeting of the Communist Party Central Committee, the final point of authority in the Soviet Union, which is to discuss the future of agriculture.

## Schlueter looks for help outside coalition parties

BY HILARY BARNES IN COPENHAGEN

THE DANISH Prime Minister, Mr Poul Schluter, made a strong appeal for co-operation from the non-government parties when he opened Parliament yesterday with a government policy declaration.

Following the general election on September 8, the four-party coalition needs the support of at least two other parties in the nine-party Folketing (parliament) to obtain majorities.

Mr Schluter called on the Radical, Liberal and Social Democratic parties not to turn their backs on the work of the Folketing. "If they do, the work of the Folketing will be paralysed," he said.

The Government hopes that a majority will recognise that we do not want political instability

and elections following in rapid succession.

Tax adjustments to improve the competitive position of Danish industry will be among the main themes in the government programme. The Government will also seek tripartite negotiations with industry and labour with the view of paving the way to tighter settlements in the collective wage bargaining session in spring 1988. The Government will offer compensation in the form of tax concessions and the establishment of a pensions savings scheme for blue-collar workers.

The opposition parties will spell out their attitude to the Government in a debate on the Prime Minister's statement tomorrow.

## Stringent tax package for Norway

By Karen Fossell in Oslo

NORWAY'S MINORITY Labour Government yesterday presented a draft 1988 budget containing the most stringent tax measures in years.

The NKR245bn (£22.5bn) draft budget, due to be debated in Parliament this autumn, calls for an increase in public spending of 6.6 per cent over this year, compared to revenue projections of NKR244.6bn.

The tax package, aimed particularly at high income earners and large loan holders, will raise budget revenue by about NKR2.6bn.

A share turnover tax of 1 per cent, to be split equally between buyers and sellers and aimed at raising NKR200m in revenue, is also being introduced together with a 10 per cent tax on commissions earned by brokerage houses.

The draft budget shows a surplus of NKR2.2bn before loan transactions. However, after a correction for the effect of oil activities and transfers from the central bank the budget will show a deficit.

NKR33bn in 1988, or 0.1 per cent of gross national product, compared to a projected surplus of NKR2.5bn this year.

The Government's net loan requirements have also been reduced. Borrowing this year to NKR6.1bn in 1988.

The effects of the 1988 oil price fall continue to be felt by Norway which is West Europe's second largest oil producer behind Britain. Net oil revenue, which reached NKR24bn in 1986, is not expected to increase from this year's level of NKR35bn.

Opposition politicians reacted sharply to the proposed tax increases in the draft budget.

## Malta talks

Talks held in the last two days in Valletta between a European Parliament delegation and Maltese political leaders have brought into sharper focus the island's plans to file for full EC membership, Godfrey GRIM reports.

Both premier Dr Eddie Fenech Adams' ruling Nationalist Party and the opposition Labour Party agree in principle on Malta joining the Community. The problem is one of timing, and negotiating conditions.

## Bonn to back Hungarian loan

BY LESLIE COUTT IN BERLIN

WEST GERMANY will demonstrate its strong support for Hungary's new economic and political reform by guaranteeing a DM1bn (£385m) bank loan to Budapest during the visit to Bonn, beginning today, by Mr Karoly Grosz, the Hungarian Prime Minister.

The government-guaranteed loan, which will be repaid by West German banks, is designed to promote economic and technical co-operation between Bonn and Budapest, according to West German officials. They pointed out that it was part of a package of measures to help Hungary overcome its critical economic situation.

Mr Grosz last month launched an unpopular austerity programme intended to halt the deterioration of the economy which produced a net hard currency debt this year of \$8.5bn. At the same time he said Parliament would be given certain "control functions" over the Government and that the opposition's views would be tolerated.

Mr Grosz's four-day visit will also see the signing of an agreement on scientific technical co-operation, under which 32 projects have been agreed. In addition, Bonn and Budapest will ratify an investment protection agreement to stimulate West German investments in Hungary. Trade with Hungary, at

DM5.1bn last year, is the second largest with a Comecon country, and Bonn is Hungary's second most important trading partner after the Soviet Union.

Hungary this week will also become a member of the Warsaw Pact nuclear club, after Romania permitted West Germany to establish a cultural institute in Budapest. This is a political breakthrough, as East Germany previously represented German culture in Hungary.

West German officials said Chancellor Helmut Kohl was expected to express support to Mr Grosz for Hungary's efforts to achieve a trade agreement with the EC.

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## Austria's working class trade unionism coming to an end

AUSTRIA'S TRADE unions opened their 11th congress in Vienna on Monday against a background of new economic and social problems which will almost certainly raise many questions about the nature of the traditional and special relationship between the government and the unions.

This special relationship, known as the "social partnership", provided years of social peace in Austria. In the past, governments and trade unions, rather than risk any form of social conflict, built a relationship based largely on consensus and compromise.

One of the bricks of the relationship, particularly during the leadership of the Socialist

chancellor, Mr Bruno Kreisky, was that the government would protect the workforce against unemployment. The cost of maintaining that promise led to increasing subsidies for the state-run industries, the bulk of which is located in the heavy industrial sector.

As the trade unions convene this week for a congress that will also elect a new leader, the growing consensus is that the days of compromise are drawing to an end. But if the social partnership is to continue, "it will have to be seriously modified in such a way as to reflect the changing economic and political climate here," an Austrian economist commented.

Two issues have precipitated this rethink. One is the government's policy to restructure the large state-run industry. The other is the future political and social role the Austrian trade unions can play.

Under the vast restructuring programme of the Oesterreichische Industrieholding AG (OIG), the holding company of the state-run industries, the large industrial conglomerates will be broken up. As part of this reorganisation, about 19,000 jobs will be lost over the next three years.

The break-up of the large steel sectors is crucial to the political influence of the trade unions. "Smaller units will have far less political clout," argued one Socialist commentator.

## Judy Dempsey analyses a crucial meeting in which a new leader is to be elected

The concentration of power will be weakened considerably.

It is not only the power base which will be weakened. For the first time, the trade unions will have to face the prospect of some form of long-term unemployment for their members. They will have to consider retraining programmes and labour mobility.

Mr Hugo Michael Sekyra, the general director of OIG said recently that job mobility, which is uncommon in Austria, will have to become a reality.

The political reality confronting the trade union movement is that it will find it hard to oppose the government's plans for OIG. "The government's plan for OIG," one trade union official explained, "what we have to do now is decide what we want for the future."

Part of this week's agenda includes a discussion on a 38-hour week. The government will entertain this idea provided it will not mean more subsidies. This is where the "no alternative" comes in. In a strategy aimed at making the state-run

sector more competitive, Mr Sekyra has insisted on not asking the government for more money. The taxpayer has already paid out more than Sch 33bn (£3.3bn) this year alone, which Mr Sekyra says will have to last until 1990. That is a view shared by Mr Franz Vranitsky, the Socialist chancellor who recently said: "People must know where their balance sheet lies."

The congress will also discuss the government cost-saving budget which entails a reduction in pensions and fringe benefits, things which were, until recently, never questioned.

That is why the appointment this week of a new trade union leader will be crucial for the future development of the move-

ment. The 75-year-old Mr Anton Benya retires and will be succeeded by the spikely 42-year-old Mr Fritz Verzetitsch.

Mr Verzetitsch has worked closely with Mr Benya over the past year. But unlike his predecessor's tenure, Mr Verzetitsch faces a society which is gradually moving away from a blue-collar-based workforce to a white-collar profile in which services and technology will assume greater importance.

As one trade union official put it, "the days of working class trade unionism in Austria are suddenly coming to an end. The process of thinking about our future will be painful." That process may also put strains on the social partnership.

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# Mubarak gains endorsement but faces challenge

BY TONY WALKER IN CAIRO

PRESIDENT Hosni Mubarak of Egypt, who won an expected overwhelming endorsement in Monday's referendum, has little reason to be sanguine about the challenges he faces in his second six-year term.

Mr Mubarak, who received, according to official figures, 97 per cent of the votes, faces an immediate problem of dealing with a deepening recession, rising unemployment and inflationary pressures.

Businessmen, bankers and economists are reporting a continuing slowdown in economic activities. They all say that remedial measures are required to provide some stimulus to the economy.

An economic survey published recently by the US embassy in Cairo reported that real gross domestic product (GDP) fell by 1½ to 2 per cent in 1986-87 after having increased an average of only about 3 per cent in each of the previous two years.

These latter rates of growth are much lower than those projected in Egypt's five-year plan and certainly lower than those reported by the Government.

Under an International Monetary Fund reform programme, instituted earlier this year, the authorities took immediate steps to restrict credit, curb imports and reduce the budget deficit. At the same time, there was a limited reform of the exchange rate system which resulted in a partial devaluation of the Egyptian pound.

The IMF is urging further exchange rate reform to allow a float of the pound along with measures to stimulate investment, such as a de-regulation of interest rates.

The US embassy reported that a "primary cause" of the recent stag-



Hosni Mubarak

nation had been the inadequacy (as well as inefficiency) of investment. According to government estimates, gross investment fell from 31 per cent of GDP in 1981-82 to 20 per cent in 1985-86 and probably less last financial year.

Bankers are reporting particular difficulties among their private sector clients. "The private sector is going into deep recession," one foreign banker said. "The last quarter of last financial year was bad."

Bankers report a very quiet September - a month when there is usually a pickup in economic activity following the long summer break. "Disposable income is shrinking across the board," a representative of a joint venture bank said. "They are not keeping up with inflation."

Inflation is a particular worry for the Government. The rate last year was put at between 20 and 30 per cent. Egyptians from all sections of the community are complaining about price increases.

## S African police hold ANC group

By Jim Jones in Johannesburg

THE South African police have arrested 11 people in Cape Town who they describe as "the complete command structure" of the ANC network in the western Cape.

According to the police the 11 are believed to be responsible for 14 bomb attacks on government and police targets in the Cape, principally in June and July this year.

However, the police said seven black men, two black women and a white woman well known in academic circles had been detained. Five are alleged to have received military training in Angola, East Germany or the Soviet Union. Part of the large quantity of Soviet-made weapons and explosives captured by the police was taken in a raid on a flat in the white suburb of Wynberg.

The latest arrests, the police say, followed 15 months of investigations and became possible after 18 people were arrested in August on suspicion of responsibility for the spate of grenade and limpet mine attacks around Cape Town dating from November 1985 to May this year. Those explosions were originally believed to have been the work of Muslim supporters of the Pan Africanist Congress (PAC), particularly as they were confined to the Cape Town area.

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## Chris Sherwell in Suva finds the islands' tourism a major victim of military coups

### Fiji's other tragedy: the suffering economy

WHEN PEOPLE SHAKE their heads about the tragedy that is Fiji, they invariably have in mind the death of democracy and the damage to race relations. But a major casualty of the South Pacific state's two military coups in five months is its economy.

Few Third World countries have sunk to such depths in so short a time in the Asia Pacific region. It has probably suffered a bigger reverse than the upheavals of the Philippines and Sri Lanka. What makes it worse is that the economy was previously in such a buoyant state.

The most visible impact has been on tourism. Visitor arrivals in the first four months of 1987 were running 10 per cent higher than in 1986, which finished at a record high of 258,000. The trend halted instantly, when Colonel Sitiveni Rabuka's first shock coup on May 14 provoked the second, which finished at a record high of 258,000. The trend halted instantly, when Colonel Sitiveni Rabuka's first shock coup on May 14 provoked the second, which finished at a record high of 258,000.

May arrivals were down 30 per cent; June's figure was one-third of the 1986 level. Bargains basement fares introduced on Fiji's Air Pacific helped the numbers to pick up, but attracted downmarket tourists who spent less. Col Rabuka's second coup on September 25 now threatens to damage the industry's profitability irreversibly. The picture in the sugar industry is scarcely more encouraging. Sugar is the economy's lifeblood, and the industry is dominated by the Indian community. A delay in harvesting and a persistent drought means



Col Rabuka: unsettling coups

production this year will be around 325,000 tonnes, compared to the record 501,000 tonnes last year. Even now, vast acres of cane are still standing uncut in the fields.

Better yields and improved world prices will offset some of the difference. But 90 per cent of Fiji's sugar is exported at above world prices, and the real worry is that sanctions by other countries will close these markets or open the way to competing producers.

In the case of the European Community, Fiji looks particularly vulnerable. Now that Col Rabuka has declared a republic, Fiji's sugar protocol with the Community under the Lome Convention will have to be re-negotiated, since it is currently

in the name of Her Majesty's Government of Fiji.

A refusal by the EC would be devastating. All Fiji's sugar exports to Europe go to Britain, and specifically to Tate & Lyle, at prices up to four times the world level. In 1986 the arrangement brought in more than one-third of the country's export earnings.

In any event, cane farmers themselves may lose confidence in the new government and any constitutional changes it imposes, and next year's harvest might be even smaller. Unfulfilled EC quotas would quickly be shared out elsewhere.

According to the Reserve Bank, Fiji even before the latest military intervention could expect last year's real growth rate of 9.1 per cent to slump into a contraction of -12 per cent this year. With the latest events, all bets are off.

The most glaring impact of the upheavals has been on the Government's finances. The downturn has hit Government revenues, originally budgeted for 1987 at around F\$386m (£185m). Col Rabuka has, meanwhile, doubled the size of the security forces from 2,600 to 5,500 and bought weapons in South Korea, Taiwan and Singapore.

At one stage, what was intended to be a near-balanced budget, with a deficit of just over F\$60m in the red. But some key measures have been taken to limit the drain.

Operating expenditures have been reduced through 15 per

cent pay cuts for civil servants, while the army is supposed to be taking a 25 per cent pay cut. Capital expenditures of F\$92m have been slashed to F\$72m. Whether this is enough in the wake of Col Rabuka's second intervention is another matter. Last week, a signing ceremony was postponed for an important US\$4m World Bank loan for a road-building programme. Aid from other countries worth around F\$30m a year to Fiji is also at risk.

Covering the estimated F\$20m deficit still outstanding is another problem. In August a F\$10m money market bond issued only F\$13m. Treasury bills have fared no better, despite vastly more attractive yields since May. The Government has anyway reached the legal limit on the amount it can issue.

The problem is a general shortage of cash. It has flowed out, domestic liquidity has tightened. The Reserve Bank lifted its minimum lending rate and removed ceiling on bank deposit and lending rates. Both have soared, affecting most economic activity.

Between the end of May and the end of July, the Government's cash flow deficit quadrupled to F\$32.5m, and the Reserve Bank had to print money to help it out. At the beginning of the year, the Government's Ways and Means Account at the Reserve Bank was in credit. Now it is F\$35m in debt.

Inevitably, Mr Savenaca Siwalaba, the Bank's Governor, has

emerged as a key figure. His resistance to printing or lending more money has forced the Government's awkward expenditure cuts, and he is expected to stand firm in the new situation created by the second coup - assuming he stays at his post.

It was Mr Siwalaba who pushed through the 17.75 per cent devaluation of the Fiji dollar in June, after the country's reserves, which stood at a record F\$195m at end 1986 and around F\$170m at the time of the first coup, fell by F\$19m in May and F\$38m in June, to reach F\$120m. Exchange controls were also tightened.

By last month, the reserve figure, measured in devalued Fiji dollars, had begun emerging from its trough. Then, Col Rabuka staged his second coup, prompting another bank run. Once again, there has since been arbitrary intervention in the running of the economy.

Last Friday all foreign exchange trading was halted on the orders of the military authorities because of suspicions about large currency transactions. Mr Siwalaba intervened to reverse the move. But it triggered a devaluation scare. Queues of people are now trying to get on packed aircraft out of the country, joining the drain which has occurred since May. Worried investors are postponing major decisions.

A mass emigration of Indians, something Col Rabuka openly contemplates, would be still more damaging. Fiji's economy, in short, may not recover its pre-May position for a few years

## Mugabe links opposition party with rebels

BY TONY HAWKINS IN HARARE

ZIMBABWE'S headline policy against the minority opposition Zanu party, led by Mr Joshua Nkomo, has been described by Mr Robert Mugabe, the Prime Minister, as a "new initiative" designed to "eliminate" the party. He said the party's "disloyalty" was "evident" in the west of the country against the security forces.

Mr Mugabe leader of the ruling Zanu-PF party, said there was "immense evidence" linking the opposition Zanu with the dissidents, who have murdered 46 white farmers since indepen-

dence as well as scores of government supporters. Mr Nkomo and his top lieutenants have repeatedly denied these accusations but Mr Mugabe says that when the party's "disloyalty" is "evident" they "uncovered" evidence of Zanu's involvement with the dissidents.

The official media is claiming that there are, in fact, two distinct dissident groups - one which has links with Zanu and the other (Super-Zanu as it is known) which is controlled from South Africa as part of Pretoria's destabilisation campaign.

Officials say that Mr Nkomo has no influence at all with Super-Zanu but that his party officials certainly influence the dissident groups. In support of this it is pointed out that no Zanu officials have been murdered by the dissidents.

Following the closure of Zanu's offices the Government announced that it had dissolved all six local government coun-

cils in Matabeleland North - where the dissidents have been extremely active. Mr Enos Nkala, the Home Affairs Minister, said the councils had been disbanded because they had been collaborating with the anti-government bandits.

The minister accused councillors of "unduly influencing" council officials and advising them not to co-operate with the Government.

These developments along with Mr Mugabe's accusation

that Zanu is now trying to secure through dissident activity what it had lost through the ballot box, suggests that there is little likelihood of a merger between the two parties.

What is at issue is whether the Government's patience has been exhausted altogether and if so, how long it will wait before abandoning the merger objective altogether and establishing a one-party state by banning Zanu, which is the sole remaining political obstacle to such a development.

## Gold Fields

### Notice of Annual General Meeting

The Annual General Meeting of Consolidated Gold Fields PLC will be held at the Hotel Inter-Continental, Grand Ballroom, One Hamilton Place, London W1, on Wednesday, 4 November 1987 at 11.00 am, for the transaction of the following business:

- To receive and consider the audited accounts for the year ended 30 June 1987, together with the Report of the Directors, and to declare a final dividend.
- To re-appoint Mr R A Plumb, Mr J R A M Storer and Mr J Ogilvie Thompson as Directors.
- To re-appoint Ernest A Whitley as Auditor of the Company and to authorise the Directors to fix their remuneration.
- To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution: That the authorised share capital of the Company be increased from £60 million to £65 million by the creation of an additional 20 million Ordinary shares of 25p each.
- To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution: That, subject to Resolution No. 4 being passed, the Board is generally and unconditionally authorised to exercise all the powers of the Company to alter relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to a nominal amount of £12,500,000, such authority to expire five years after the date of passing this Resolution, provided that:

- the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and
- the authority hereby conferred on the Board varies and renews the authority contained in Article 7(f) of the Articles of Association of the Company.

- To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution: That the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to alter equity securities wholly for cash pursuant to the authority contained in Article 7(f) of the Articles of Association of the Company as varied and renewed as if Section 89(1) of that Act did not apply to any such alteration, provided that this power shall be limited to the allotment of equity securities:

- in connection with an offer of such securities by way of rights to holders of Ordinary shares on either of the Company's registers on a fixed record date in proportion to their then holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, Ordinary share warrants to bearer or any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange; and
- (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount equal to 2.5 per cent of the issued share capital of the Company at the conclusion of the Meeting at which this Resolution is passed; and shall expire on the conclusion of the next Annual General Meeting of the Company after the date on which this Resolution is passed, save that the Company may make any offer or agreement before the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired, and in this Resolution the expression "equity securities" and references to the allotment of equity securities shall bear the same respective meanings as in Section 94 of the Companies Act 1985.

- To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution: That (a) the holders of Ordinary shares on the register of Members at the close of business on 9 October 1987 (except holders of Ordinary shares allotted on conversion of the £10 million 64p per cent Convertible Subordinated Bonds due 2002 in circumstances which do not give such holders an entitlement to the recommended final dividend) be permitted to elect to receive new Ordinary shares of 25p each in the capital of the Company in lieu of the final dividend for the financial year 1987; (b) the Directors be authorised to make an offer to the holders of the Ordinary shares to elect to receive new Ordinary shares of 25p each in the capital of the Company in lieu of any interim dividend declared before the next Annual General Meeting of the Company in a like manner to that contained in the said circular letter to be dated 16 October 1987 provided that the Directors shall be authorised to make such adjustments as they deem necessary or expedient in the circumstances and the Directors are hereby authorised to capitalise such amount standing to the credit of the Company's share premium account as may be necessary; and

- (a) any additional Ordinary shares allotted pursuant to any offer made pursuant to paragraphs (a) or (b) of this Resolution shall rank pari passu in all respects with the fully paid Ordinary shares previously in issue save only as regards participation in the relevant dividend.
- To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution: That, subject to the approval of the Board of Inland Revenue, the Directors be and they are hereby authorised to amend the Gold Fields Executive Share Option Scheme (the Rules of which are produced to this meeting and for the purpose of identification included in the Chairman's report) as follows:

- by deleting the definition of "the Group" in Rule 1 and by substituting therefor: "the Group: The Company and any company for the time being under the Control of the Company (or any company being a company in which the Company owns beneficially not less than 50 per cent of the equity share capital and which has received the prior approval of the Inland Revenue to participate in this Scheme) whether incorporated in the United Kingdom or elsewhere which is nominated from time to time by the Directors as a participating company for the purposes of this Scheme";
- by deleting Rule 2(a) and by substituting therefor: "Subject to the limitations and conditions hereinafter contained and unless prohibited by law, the Directors may invite applications for Options from any Executive who is not within two years of his Normal Retirement Date. Applications as aforesaid shall be in a form prescribed by the Directors";

- by the addition of a new Rule 2(c) as follows: "The Directors may when inviting applications for Options issue the same on terms that notwithstanding any provisions of this Scheme the Options may be granted subject to such conditions as the Directors deem appropriate, provided always that no such conditions shall be included without the prior approval of the Board of Inland Revenue";
- by deleting Rule 3(c) and by substituting therefor: "No Executive shall be granted an Option in any Year of Assessment the Aggregate Subscription Cost of which, if aggregated with the amount payable on the exercise of any rights granted under this Scheme, under any other option scheme approved under Schedule 10 to the Act and established by the Company or by an associated company of the Company (within the meaning of Section 302 of the Income and Corporation Taxes Act 1970) and under any other share option scheme adopted by the Company in the previous ten years (excluding any options granted under the Gold Fields Savings Related Share Option Scheme and any options under this Scheme and any other share option scheme that have been exercised) would at any time exceed the greater of:

- four times the Relevant Limit; and
- the lesser of £100,000 and four times his annual rate of remuneration from any office or employment within the Group."

- by the addition of a new Rule 7(e) as follows: "If Options have become exercisable under Rules 7(a), 7(b) or 7(c) as a result of a company ("the Acquiring Company") obtaining Control of the Company or, as the case may be, the Acquiring Company becoming bound or entitled to acquire Shares in the Company under Sections 428-430 of the Companies Act 1985 any Participant may at any time within the Appropriate Period (as defined in paragraph 10(A)(2) of Schedule 10 to the Act), release any Option to the Acquiring Company ("the old Option") in consideration of the grant of a new Option ("the new Option") which satisfies the following conditions:

- it is over shares which satisfy the conditions specified in paragraphs 7 to 11 of Schedule 10 to the Act and the term "Shares" in this Scheme shall thereafter be construed accordingly;
- it is a right to acquire such number of Shares as have on acquisition of the new Option an aggregate market value (within the meaning of Part VIII of the Capital Gains Tax Act 1979), as nearly as may be, equal to the aggregate market value of the shares subject to the old Option on its release;
- it has an Aggregate Subscription Cost which is, as nearly as may be, equal to that which would have been payable on complete exercise of the old Option;
- it is exercisable in the same manner as the old Option and only in accordance with this Scheme as it had effect immediately before the grant of the new Option except that references to the Company shall where the context so requires be construed as references to the Acquiring Company;
- it shall not be exercisable under Rule 7 solely by virtue of the circumstances which gave rise to the release of the old Option pursuant to this Rule 7(e);

PROVIDED THAT the new Rule 7(e) shall take effect from the date on which the Company receives formal approval of the alterations from the Board of Inland Revenue and shall also apply to all Options granted before such date.

- To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution: That, subject to the amendments referred to in (a), (b) and (c) of this Resolution, the Directors be and they are hereby authorised to amend the Gold Fields Savings Related Share Option Scheme (the Rules of which are produced to this meeting and for the purpose of identification included in the Chairman's report) as follows:

- by deleting Rule 5(b)(v) and by substituting therefor: "Subject to Rules 5(a)(ii) and 5(d) the six months after the Participant ceases to hold the office or employment by virtue of which he is eligible to participate in this Scheme for any reason other than as set out in sub-paragraphs (i), (ii), (iii), (iv) or (v) of this Rule 5(b) provided that the reason for such cessation is not dismissal for misconduct and provided also that at the time of such cessation the Option has been held for more than three years since its date of grant";
- by deleting Rule 5(b)(vi) and by substituting therefor: "Subject to Rules 5(a)(ii) and 5(d) the six months after the Participant ceases to hold the office or employment by virtue of which he is eligible to participate in this Scheme for any reason other than as set out in sub-paragraphs (i), (ii), (iii), (iv) or (v) of this Rule 5(b) provided that the reason for such cessation is not dismissal for misconduct and provided also that at the time of such cessation the Option has been held for more than three years since its date of grant";

- the effect of employment ceasing to be in a company of which the Company has Control; or
- the transfer of the business or part of the business to which the office or employment relates to a person who is neither an associated company (as defined in Rule 5(e)) nor a company of which the Company has Control."

- by the addition of a new Rule 7(e) as follows: "If Options have become exercisable under Rules 7(a), 7(b) or 7(c) as a result of a company ("the Acquiring Company") obtaining Control of the Company or, as the case may be, the Acquiring Company becoming bound or entitled to acquire Shares in the Company under Sections 428-430 of the Companies Act 1985 any Participant may at any time within the Appropriate Period (as defined in paragraph 10(A)(2) of Schedule 10 to the Act), release any Option to the Acquiring Company ("the old Option") in consideration of the grant of a new Option ("the new Option") which satisfies the following conditions:

- it is over shares which satisfy the conditions specified in paragraphs 7 to 11 of Schedule 10 to the Act and the term "Shares" in this Scheme shall thereafter be construed accordingly;
- it is a right to acquire such number of Shares as have on acquisition of the new Option an aggregate market value (within the meaning of Part VIII of the Capital Gains Tax Act 1979), as nearly as may be, equal to the aggregate market value of the shares subject to the old Option on its release;
- it has an Aggregate Subscription Cost which is, as nearly as may be, equal to that which would have been payable on complete exercise of the old Option;
- it is exercisable in the same manner as the old Option and only in accordance with this Scheme as it had effect immediately before the grant of the new Option except that references to the Company shall where the context so requires be construed as references to the Acquiring Company;
- it shall not be exercisable under Rule 7 solely by virtue of the circumstances which gave rise to the release of the old Option pursuant to this Rule 7(e);

PROVIDED THAT the amendments referred to in (a), (b) and (c) of this Resolution shall take effect from the date on which the Company receives formal approval of the alterations from the Board of Inland Revenue and provided also that the amendments referred to in (b) and (c) of this Resolution shall apply to all Options granted before such date.

- To consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution: That, subject to Resolutions Nos. 8 and 9 being passed, the Directors of the Company be and they are hereby authorised to vote as Directors, and be counted in the quorum, on any matter connected with the Gold Fields Executive Share Option Scheme and the Gold Fields Savings Related Share Option Scheme in their amended forms, notwithstanding that they may be interested in the same (except that no Director may be counted in a quorum or vote in respect of his own participation) and the prohibition on voting by interested Directors, and their counting in a quorum, contained in the Articles of Association of the Company be hereby suspended to such extent in accordance with Article 78(b) of the Articles of Association of the Company.

By order of the Board

Mrs G M A Gledhill

Secretary

6 October 1987

Notes:

Not Members holding fully paid Ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the meeting. A Member, however, so entitled may appoint a proxy, who need not be a Member, to attend and vote on his behalf. A proxy may not speak at the meeting except with the permission of the Chairman of the meeting.

Shareholders are reminded that notices and returns are not to be sent to the meeting hall.

Holders of share warrants to bearer who wish to be present or represented at the meeting may obtain the necessary information regarding the formalities to be complied with from the registered office of the Company.

The register of Directors' interests, together with copies of contracts of service between the Directors and the Company or any of its subsidiaries (or a memorandum of the terms thereof), other than contracts expiring or determinable within one year without payment of compensation, will be available for inspection at the registered office of the Company during normal business hours until the date of the Annual General Meeting and on that day at the place of the meeting at least 15 minutes prior to the meeting and until its conclusion.

Copies of the Rules of the Gold Fields Executive Share Option Scheme and the Gold Fields Savings Related Share Option Scheme, reflecting the proposed amendments, will be available for inspection at the registered office of the Company during normal business hours until the date of the Annual General Meeting and on that day at the place of the meeting at least 15 minutes prior to the meeting and until its conclusion.

Consolidated Gold Fields PLC  
31 Charles II Street, St. James's Square, London SW1Y 4AG.

## Kuwait's inheritance keeps growing

BY ANDREW WHITLEY, RECENTLY IN KUWAIT

KUWAIT'S PRIDE themselves, with justification, on being just that little bit more worldly and more forward looking than their other, newly rich neighbours of the Arabian Peninsula.

A good example of this mentality was the quiet creation a decade ago - when the oil boom was approaching its peak - of what amounted to an inheritance trust for the entire nation. Dubbed the Reserve Fund for Future Generations, as of last June, unofficial estimates indicate that a hefty KD 15.35bn (£33bn) had already been salted away.

If today this delightful inheritance were to be distributed equitably among Kuwait's 750,000 citizens (a further 1m foreigners have residence rights but no other benefits), each man, woman and child would receive over \$73,000. Not great largesse, may be, by oil sheikh standards, but by world standards it is an impressive sum.

Better still, at a time when the country's oil income has declined steadily, the size of the legacy has grown exponentially. Over the past three years the Reserve Fund - invested in such assets as US real estate, blue chip shares and Treasury bonds - has swelled by an impressive 42 per cent.

Present trends are maintained by the end of the decade, or in the early 1990s, Kuwait could in fact be earning more from income on its accumulated reserves than from its oil sales.

According to official figures, the 1985-86 investment income of KD 2.49bn - mostly from the Reserve Fund - appeared to com-

fortably exceed oil revenues, which reached KD 2.09bn. As the implied rate of return on the investments that year was three times greater than in either the preceding or succeeding 12 months, the figure may simply have been a mistake. None the less, the trend is unmistakable.

By law, a minimum 10 per cent of Kuwait's revenues, mostly derived from oil exports, has to be put aside every year. But according to Dr Fahed al-Rashed, Managing Director of the Kuwait Investment Authority, during the peak oil earnings years, between 1979 and 1981, the allocation went as high as 38 per cent.

To guard against the obvious temptation for light-fingered Treasury officials to dip into the Fund when the current account is in difficulties, or a pet project appears threatened by a temporary liquidity problem, the law forbids any withdrawals, under any circumstances.

Rumours that last year's record budget deficit of \$4.8bn was met, in part, by drawings from these reserves are stoutly denied by Dr Rashed.

So when can it be touched? No one seems too sure. Some say the year 2005, others 2010. The former date, being a neat 30 years - a full generation - after this savings account to end all savings accounts was first opened would carry a certain logic.

Where the fund is invested is one of the country's most closely guarded secrets, not least because of the nationalist sensitivities likely to be aroused by the confirmation of long-held suspicions that the vast bulk is indeed in the US.

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## AMERICAN NEWS

## Senate steps up pressure for Iran oil embargo

BY LIONEL BARBER IN WASHINGTON

THE US Senate yesterday voted unanimously for the second time in a week to bar imports of Iranian oil, increasing pressure on the Reagan Administration to impose some form of trade sanctions against Tehran.

Senior US officials are expected to discuss an oil embargo this week. While some favour sanctions, others argue that they would have little effect on Iran's ability to sell oil and buy arms on the international market.

Pressure for a US embargo on Iranian oil and other imports has mounted in recent weeks in line with the military and diplomatic stand-off between Washington and Tehran in the Gulf.

Senators have also been angered by reports - confirmed officially last week - that the US has bought about \$300m of Iranian oil this year, some \$300m more than in 1986.

US oil companies have been taking advantage of cheaper prices on the day-to-day spot market where most Iranian oil is traded. Prices on longer-term contracts have tended to be more expensive because of the uncertainty caused by the tanker war in the Gulf.

Last week, the Senate approved an embargo as part of an amendment to the 1988 Defense Spending Bill. The bill faced a presidential veto because it imposed what Mr Reagan views as unacceptable curbs on the Star

Wars defence system: a ban on advanced testing and the linked issue of re-interpreting the 1972 Anti-Ballistic Missile Treaty.

Yesterday's 93-0 vote for a blanket ban on Iranian goods coming into the US, part of a separate piece of legislation, aims to create a measure which the President would have less excuse not to approve.

Independent oil experts have said that a US embargo would be very difficult to enforce, even with Allied backing. But sponsors of the measure - led by Senator Robert Dole of Kansas, a 1988 presidential candidate - argue that Iran cannot expect "business as usual" as long as it refuses to negotiate an end to its war with Iraq.

## AIDS 'to be chief killer of young Americans'

By James Buchanan in New York

AIDS will soon be the chief cause of death for young Americans, a conference on the epidemic heard this week in New York.

Dr Peter Drotman, a senior researcher with the US Government's Centers for Disease Control in Atlanta, said the death toll from Acquired Immunity Deficiency Syndrome could be running at 54,000 a year by the turn of the decade. For American adults under 50, the disease is likely to be more devastating even than motor accidents, which claimed 47,000 lives last year but are in decline.

By 1991, or possibly earlier, Dr Drotman said that more than 250,000 young Americans will have died or become ill from AIDS, which entered the US about 10 years ago and is believed to be fatal. In contrast, some 47,000 US servicemen fell in battle in the Vietnam War.

There are a quarter of a million unpreventable cases, Dr Drotman said. "Deaths will be unpreventable, unfortunately."

Dr Drotman's assessment, presented at a conference arranged by the management consultancy, Robert S. First, is the gloomiest yet presented by a government researcher.

AIDS, which suppresses the body's immune system and leaves it vulnerable to infection, has up to now been most widespread among homosexual men, who account for more than 80 per cent of the 41,500 reported US cases, and intravenous drug users.

Mr Stephen Joseph, Health Commissioner of New York City where AIDS is already the leading cause of death among young men aged 25-44, said: "If we do not institute a vigorous and comprehensive national prevention programme within the next 18 to 24 months, we will fall behind in the epidemic among heterosexuals as well as among gay men and intravenous drug users."

## Chile strike today

CHILE'S trade unions will stage the first opposition challenge to the military government of General Pinochet today. The unions are protesting against the government's policy of repression and its failure to address the needs of the population.

Simon Henderson looks behind President Sarney's claims

## Brazil set for uranium production

BRAZIL COULD be producing enriched uranium in significant quantities by 1988 or 1989, according to diplomats reviewing President Sarney's claim last month that his country had mastered the technology.

Satellite photographs indicate that foundations have been built for a large production facility at Itapira, 100 miles west of Sao Paulo, which will use high speed centrifuges. The technique has been developed at a research plant associated with the University of Sao Paulo.

Previous Brazilian attempts to enrich uranium using West German jet nozzle technology have failed on a commercial level. It became generally known several years ago that Brazil was also pursuing the centrifuge route. Brazil was introduced to centrifuge technology in the early 1950s when three examples designed by Nazi scientists were obtained from West Germany.

The new enrichment plant is not covered by international safeguards, and ambiguity in



Brazilian statements leave open the possibility that it will be used for military purposes. The scientific effort is separate from that involved in the uranium enrichment plant, which has been authorised by the Brazilian Congress.

of acquiring a nuclear submarine ever since the Argentinean cruiser General Belgrano, was sunk by a British nuclear submarine in the 1982 Falklands War. Brazil buys its submarines from abroad and will soon be taking delivery of two conventionally powered West German models, although it is thought unlikely that Brazil could re-engine these boats.

Western officials say 20 per cent enrichment of uranium would be sufficient, although not ideal, for a submarine. Natural uranium contains only 0.7 per cent of the fissile isotope, Uranium 235. The Itapira plant could produce at 30 per cent but could also produce the 90 per cent enrichment needed for an atomic bomb.

The timing of the announcement of Brazil's success was puzzling, adding to regional competition with Argentina just weeks after President Sarney had accepted a surprise and conciliatory invitation to visit the unsafeguarded Argentinian enrichment plant at Pilcaniyeu in the Andes. That plant uses the less efficient diffusion technique, and does not appear to be able to enrich beyond 1 per cent, according to diplomats.

In order for Argentina to boost its enrichment programme, it would have to increase the power available to Pilcaniyeu but satellite photographs indicate no new electricity pylons.

Both countries are also working on techniques to re-process plutonium, another possible bomb material. Argentina appears more advanced with this method.

Brazil's success with centrifuge enrichment matches the example of Pakistan but should soon outpace it, as Brazil can make its own special steel needed for the technology. Exports of this steel to Pakistan are restricted from the West because of concern that the enriched uranium will be used for nuclear weapons.

## Arias initiatives gather pace

BY ROBERT GRAHAM

THE PACE of individual initiatives set in motion by the Central American Peace Plan of President Oscar Arias of Costa Rica is gathering momentum.

The initial hurdle in contacts between the El Salvador Government and the rebels for renewed talks has been overcome and a reconciliation meeting has been held in the Nicaraguan capital of Managua between the Sandinista Government and the opposition parties. Today the Guatemalan Government is due to begin talks with the umbrella organisation of the Guatemalan guerrilla movement.

This week has seen a surge of activity prior to the November 7 deadline set by the five Central American Presidents in August for the initial elements in the peace process to be set up. So far, the Nicaraguan Government has been demonstrating the greatest number of initiatives - both in opening up the press and in renewing political liberties for parties operating inside the country, and in establishing ceasefire zones.

However, the main interest this week has centred on the first meeting in three years between the Salvadoran Government and representatives of the umbrella political and military organisation of the guerrillas, the FDR-FMLN. Two days of talks ended on Monday night with the announcement of the establishment of an eight-man ceasefire commission, composed equally of government and guerrilla members.

Statements after the meeting were more optimistic than some

observers had anticipated. One of the leaders of the FDR, Mr Guillermo Ungo, said: "It took us almost three years to get a dialogue started and we achieved it." He added the results of the negotiations had been "sufficient to secure the continuity of dialogue."

Meanwhile, in Madrid, talks are due to begin today between representatives of the Guatemalan Government and of the umbrella guerrilla organisation, the National Revolutionary Union (UNRG). This is the first time in 25 years that such a meeting has been held. The Spanish Government has played a discreet part in bringing it about and has conducted the talks in secrecy. They are described by the Guatemalans as 'dialogue'.

Statements after the meeting were more optimistic than some

## Terrorism 'Peru's Number One threat'

BY BARBARA DUNN IN LIMA

PERU'S prime minister, Mr Guillermo La Torre, has defined terrorism as the country's number one threat, in a major speech to Congress on the government's overall programme. Instead of outlining a new and terrorist strategy, Mr La Torre said subversion must be combated through "profound changes of the social structure."

On the economy, he painted a grim picture of the country's prospects, saying Peru faces accelerating inflation and production shortages. Inflation for this year is running about 100 per cent.

To offset a ballooning fiscal deficit, he said that taxation would be increased primarily using indirect taxes on consumption and that the government would make an effort to collect taxes from the vast underground economy, estimated at 20 per cent of the country's GDP.

Foreign debt will be used as a mechanism to increase exports and production, the prime minister said, referring to the government's debt payment-in-kind scheme.

Mr La Torre said the government's annual growth goal for 1988 to 1990 is 5 per cent and that the fiscal deficit for that period should come down to below 4 per cent.

The prime minister also sharply criticised the state bureaucracy as "the primary opposition force" to the government's programme.

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## WORLD TRADE NEWS

## Fears for Nissan and Ford US venture

By Stefan Wegstl in Tokyo

A PLAN by Ford Motor of the US and Nissan Motor of Japan jointly to build a North American plant appears to be under threat.

The planned venture to manufacture van-like vehicles for commercial and leisure use was announced earlier this year and was seen as an attempt to bolster the two companies' positions in increasingly competitive world markets.

Reports in Tokyo said that at a recent meeting Mr Harold Poling, Ford's president, and Mr Yutaka Kume, his Nissan counterpart, agreed to cut by half to 100,000 vehicles a year the planned production of the proposed joint venture.

Nissan yesterday declined to comment on whether or not such an agreement had been reached but confirmed that if the joint venture were limited to 100,000 vehicles a year then a new factory would not be built.

The multi-purpose trucks could, however, be built at existing US plants.

The two partners are to continue a "feasibility study," due to be finished next spring, in which the options included building only 100,000 vehicles a year.

Reports said that Ford believed US demand might not be sufficient to support the venture as originally envisaged. Nevertheless, both companies intended to launch the truck in 1990 as initially proposed.

It was not clear what impact a possible cut in the scale of the joint venture might have on future co-operation between Ford and Nissan, which are both the number two producers in their home markets.

## NEI contract

NEI Reyrolle, part of Northern Engineering Industries of the UK has won a £30m turnkey order for an electric substation in Saudi Arabia, Nick Garnett reports.

The order follows one worth £26m involving two substations for Saudi Arabia's national grid.

As with the first order, NEI is working with Sademil Cogepi, the Italian civil engineering contractor, which will construct the substation in Riyadh, Saudi Arabia's capital.

David Buchan reports on the success of two British military technology groups

## Tenacity key to US arms market

THE RECENT successes of Royal Ordnance (RO) and Marconi Communications of the UK in winning big US orders for two very different military technologies highlight both the need for tenacity and patience in breaking into the US defence market and the ultimate worth in doing so.

"RO had been working on this deal when I joined it in 1979," says Mr Peter McLoughlin, RO's marketing and sales director, about his company's new \$105m contract to supply the US army with 81mm mortars and ammunition. RO had in fact won an earlier \$80m contract for development and initial production of the mortars, but the latest deal was no foregone conclusion.

Last year one of the houses of Congress "zeroed out" all money for the 81mm mortar in the 1986 defence bill, and it was only restored in a final House-Senate compromise.

Marconi, for its part, was ready to break open the champagne several months ago when, in partnership with Rockwell of the US, it won a joint contract to develop a \$3bn high-frequency anti-jam radio (HFAJ) system for the US navy, only to be kept on tenterhooks until this week by a bureaucratic procedure. This requires that, before starting even a previously author-

ised programme, the Pentagon give Congress 90 days' notice so that the latter body has the chance to judge whether the individual service has the men to run the programme properly.

As these two companies found, the Pentagon procurement staff's habit of following the fine print of their 30,000-page rule-books, and Congress's tendency to "second guess" Pentagon decisions and alter any of several hundred individual line item programmes in the budget is frustrating.

But British and other foreign companies consider it well worthwhile, and this is borne out by the fact that arms exports to the US reached a record \$2,890m in 1985-86 and British overtook Canada as the largest single supplier with sales of \$18m.

The would-be exporter's first requirement is to make himself and his products known at all of the obvious arm fairs and at some of the less obvious. Mr McLoughlin attributes part of RO's success to the fact that it was one of the first half dozen foreign companies to join the Association of the US Army, which meets every October at Washington's Sheraton Hotel for what the RO director describes as "part

American Legion thrash, part equipment exhibition."

It was also to RO's good fortune that it was able to display another of its products, the 105mm light howitzer, with some of the gunners who had used it during the Falklands war, and to display it in the Pentagon's central courtyard. A company could have hardly had a better showplace and better shown than that.

The second trick is clearly to interest a specific customer in a specific product, and keep him interested. RO benefited from a certain lack of domestic US competition, partly stemming from the ironic fact that the US arsenal, government-owned as RO (now part of British Aerospace) used to be, have been rather unresponsive to the market. None the less RO had to make some 100 engineering changes to Americanise its mortar.

The most important of these, says Mr McLoughlin, were to fit a blast attenuation device "to protect the ears of the firers," and to waterproof the little cartridge propelling devices that fit on to the base of the bomb to vary its range.

"But just because the army wants your product doesn't mean you're going to get the contract," warns

the RO director. Production, not just the product, usually has to be "Americanised." Mobilisation base rules require that the US produce, or be capable of producing, many of the arms services use. On the mortar deal, RO is providing the US with a "technical data package," but only after it has sold such a quantity of UK-made tubes and bombs that Mr McLoughlin believes that the Pentagon will only get US armaments to make a few simple mortars to show they can do it.

The normal rule of thumb in the US market is that any foreign contract of \$100m or more must set up a domestic production base. In line with this, RO is licensing production with the Watervliet and Rock Island arsenals of its 105mm gun.

A simpler way of Americanising a contract is to team up with a US company, as RO is doing with BMY on several gun projects and Marconi has done with Rockwell to win the HFAJ secure radio contract. Such teaming has become popular, and eminently sensible, method of entry into the US market. Indeed, the current drive by foreign companies, including GEC, Marconi's parent, to acquire US defence contractors can be seen as a way of making teaming arrangements permanent.

Venezuela earlier this year completed work on another hydro-electric complex on the Caroni River, the Guri Dam, with generating capacity of 10,000 megawatts.

The Japanese credits follow an official visit to Venezuela by Japan's Foreign Minister, Mr Toshiki Kuranari. Earlier this month, the head of Japan's Export-Import Bank of Japan, Mr Tetsuo Kato, visited Washington that its bank would loan Venezuela \$100m for development of a bauxite ore mine.

In addition, Mitsubishi recently granted a \$12.9m loan to Venam, another major Venezuelan aluminium producer.

The Japanese credits are part of a new wave of loans that Venezuela has obtained for financing aluminium industry expansions and other industrial projects.

Mr Sures said that a regional development company under his control, the Venezuelan Guayana Corporation (VUG), had obtained \$1,500m in trade and project finance credits for its industrial projects.

This represents considerable progress for Venezuela, which has had difficulty finding new overseas loans following a major devaluation of its currency in 1983 and subsequent foreign debt.

## Venezuela receives loan from Japanese

BY JOE MANN IN CARACAS

JAPANESE financial institutions, including the Export-Import Bank of Japan, will loan Venezuela \$324m for a hydro-electric project on the Caroni River.

This is the largest single package of new loans Venezuela has received from foreign sources for several years.

The credit agreement is to be signed either later this month or in November.

Mr Leopoldo Suarez Figarella, Venezuela's State Minister for the Development of the Guayana Region, announced the Japanese loan after signing a \$20m credit with Spain's Foreign Trade Fund (Focex).

The Spanish credit, part of a \$100m line to Venezuela, covers part of an expansion programme being carried out by Alcosa, one of the government-controlled aluminium smelters in the Guayana industrial zone of south Venezuela.

The Caroni River project, Macaguan II, is to be built by Edelca, a government-owned electric power company, and will have a capacity of 2,540 megawatts.

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## Caribbean leaders renew trade change call

By Canute James in Kingston

CARIBBEAN leaders have renewed calls for changes to a US preferential trade programme for the region, amid indications that the value of the Caribbean exports to the US is continuing to fall.

The programme, the Caribbean Basin Initiative, was implemented in January 1983, and planned to run for 12 years, allowing 22 countries designated by Washington to ship a range of products duty free to the US.

Figures from the US Department of Commerce, however, show that between January and June this year, the exports to the US from the 22 countries fell by \$2.4bn or 22 per cent below the corresponding period of last year, to \$8.22bn.

Caribbean government officials say they expect the value of exports to the US this year will be below the \$8.4bn of last year. The value of exports from the 22 countries fell from \$9.13bn in 1984 to \$7.11bn in 1985.

Although the reduction has been mainly the result of reductions in exports from petroleum through lower prices and the progressive reduction of the US sugar import quotas for several countries in the region, Caribbean leaders argue that proposed legislation before the US Congress for expanding the trade programme should be passed and implemented to reverse the decline.

Duty-free treatment is not extended to garments and leather goods - sectors which Caribbean countries believe would really improve their exports. The proposed legislation suggests improved access for these products.

"The Caribbean is far too small as a production area... to have any damaging effect on the US economy," argued Mr Edward Scanga, Prime Minister and Finance Minister of Jamaica.

The US Congress knows this and we hope congressmen will not adopt a protectionist position in dealing with Caribbean trade."

Mr Manuel Esquivel, Prime Minister of Belize, said the review of the legislation by the Congress was heartening. "Congress and the administration see the need for the system to allow smaller countries to participate in the initiative."

## Airbus absorbs order deferral

BY MICHAEL DOWNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European airliner manufacturing group, expects the nine A-320 airliners deferred by Austrian Airlines to be absorbed quickly by other airlines, with no cuts in production.

Mr Neil Smith, chairman of Austrian Airlines, has confirmed reports that the airline was deferring its decision to buy the nine A-320s with V-2500 engines.

The airline is concerned at the impact of introducing a new type of aircraft at a time when Australia's domestic aviation was moving towards a more competitive regime with attendant pressures on costs.

Some 20 new markets will be available to Air Canada, including Portugal, Spain, Greece, Turkey, Israel, Tunisia, Algeria, Morocco, and the Middle East. Air Canada will also be able to fly trans-Pacific to Korea, the Philippines, Malaysia and Singapore.

Canadian Airlines will receive rights to Munich, Frankfurt, Dusseldorf, London, Norway, the Soviet Union, Mexico, Central and South America (except Venezuela), Indonesia, Taiwan, Delhi and Calcutta.

Pan American World Airways and Aeroflot, the Soviet airline, have agreed to start stop-overs Boeing 747 jumbo jet services between New York and Moscow from May 15.

## Japan car imports rise 37%

BY IAN RODGER IN TOKYO

SALES of imported cars in Japan rose 37.3 per cent in September, with West German companies well in the lead, according to the Japan Automobile Importers Association (JAI). But the number of cars being imported is still small - amounting to only 10,069 units in September.

The association attributed the increase to cuts in retail prices of imports, made possible by the higher value of the yen, and to the lower interest rates being offered by some distributors on loans for imported cars.

In the first nine months of the year, sales of imported cars in Japan totalled 71,874 units, up 42.2 per cent from the same period last year and already above the 66,587 units imported in the whole of last year.

Last year, imports took 2.2 per cent of the Japanese car market, compared with a 56 per cent import share in the UK, 32.4 per cent in West Germany and 28.3 per cent in the US.

The leading imported cars in Japan are BMW and Mercedes

models. In September, imports of West German cars reached 8,012 units, 79 per cent of the total. The UK was second with 591 units followed by Sweden with 452 units.

Earlier reports from Tokyo-US trade sanctions imposed in retaliation for Japan's alleged failure to abide by a US-Japan pact on semiconductor trade are having an effect, Mr Andrew Prosser, president of the US Semiconductor Industry Association, said.

But the sanctions should not be lifted until Japanese microchip users are meeting access targets, he added.

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## UK NEWS

GOVERNMENT MAY HASTEN INTRODUCTION OF COMMUNITY CHARGE

## Tories look towards fourth term

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT may reconsider the timing of the introduction of the universal community charge or poll tax to replace domestic rates (local property taxes) after vigorous rank-and-file demands at the Conservative Party conference at Blackpool for an immediate changeover rather than a phased one over four years as at present envisaged.

The first day of the conference was marked both by congratulatory mood over the Tories' third successive election win last June and by demands for the rapid implementation of commitments made at the time of the general election.

In a robust speech Mr Norman Tebbit, the outgoing party chairman, said there must be no dilution of existing policies. The party could not relax, but had to begin the work to justify a fourth victory by carrying the social revolution into new areas such as housing and education.

The impatience to get on was highlighted in the rates debate. The loudest applause of the day was given to former MP Mr Gerry Malone who was the first to argue that the community charge should be introduced at one stroke, as in Scotland.

This was, paradoxically, the initial preference of Mr Nichol-

The opposition Labour Party yesterday cleared the decks for a rethink on tax policies. Mr John Smith, the party's Treasury spokesman, promised a "fair tax" campaign at a two-day party summit at which the party prepared to reinforce its economic team. He declined, however, to be drawn on the kind of policies he had in

mind. Mr Smith, who is tipped to be a future right-wing leader of the party, said he planned a whistle-stop tour of the US shortly to discuss economic policies. He said he planned to have talks on international economic affairs at the World Bank, International Monetary Fund and at the US Treasury.

Some local councillors told Mr Kenneth Baker, the Education Secretary, at a fringe meeting that they had doubts about his proposals to allow schools to opt out of local authority control.

In reply Mr Baker said he thought "many schools" would take the opportunity to transfer to grant-maintained status.

Differences of emphasis on the approach to inner cities policy also surfaced during the day. Delivering a lecture to the Young Conservatives, Mr Michael Heseltine, the former Defence Secretary, emphasised the role of the public sector in stimulating the regeneration of run down urban areas since he said the private sector alone could not do it.

However, in yesterday's debate on the inner cities Mr Kenneth Clarke, Minister for Trade and Industry, said the Government looked "above all to the private sector to provide the investment, expertise and leadership that is lacking in our inner cities."

Conference reports, Page 14

and backbench MPs were not reflected.

In his keynote speech Mr Tebbit argued that because of opposition divisions the Tories faced the burden for perhaps the next decade, until a credible alternative is created, of being a government that must not fail, that must not lose the confidence of the electors, that must not stumble, because there is no other party fit to govern.

He said the Tories should now take the middle ground, not by a lurch of their policies to the left. "Our task is to establish the new political consensus within which our opponents must work by drawing the middle ground towards us."

That is the purpose of our drive to spread privilege more widely, to foster, not least through education reform on the enterprise culture, opportunity for every citizen.

Mr Douglas Hurd, the Home

## Younger stresses role of deterrent with Trident order

BY OUR POLITICAL EDITOR

AN ORDER for a second Trident submarine and a commitment to purchase four new frigates for the Royal Navy, together costing more than £1bn, were announced yesterday by Mr George Younger, the Defence Secretary.

Winding up the defence debate at the Conservative Party conference in Blackpool, Mr Younger said the announcements gave "the lie to the claim that Britain can only maintain an effective deterrent at the cost of weakening our surface fleet."

He said they offered the clearest demonstration of the Government's commitment to balancing the modernisation of our nuclear deterrent with our conventional forces can be neglected.

The Ministry of Defence placed the order yesterday with Vickers of Barrow for the second Trident missile submarine, HMS Victorious. Together with

spares though excluding the missiles, this will cost about £500m. Mr Younger said the Trident programme was "on course for completion in the timescale required and the cost is falling."

The first submarine, HMS Vanguard, will enter service with the navy in 1992 and become effective as part of the British deterrent in 1994, with HMS Victorious roughly a year behind. The third of the planned four Trident submarines will be ordered in about a year's time.

The Ministry of Defence also invited competitive tenders for up to a further four Type 23 "Duke" Class frigates for the Royal Navy in addition to the two already ordered. Depending on the number and final distribution of the orders the cost per frigate is likely to be about £120m. There are no commitments to any particular yard though Yarrow, Swan Hunter Cammell Laird and Vospers are all expected to be interested.

The first order will be placed early next year with the other

spread over the following two years.

In his speech Mr Younger stressed categorically that the present Polaris system would be replaced by Trident. He rejected Labour claims that the forthcoming US/Soviet agreement to reduce intermediate range nuclear weapons was the first step on the road to "a utopian nuclear-free Europe."

Mr Younger said that nuclear weapons would undoubtedly remain the foundation for European security "for the foreseeable future." He said that a world without nuclear weapons would have to be one from which the conventional threat had also been eradicated.

In the shorter term he further went down the path of reducing nuclear weapons the more important it will be to tackle the Soviet Union's overwhelming superiority in conventional weapons as well as in chemical weapons. He said that Nato must therefore maintain the protection of nuclear weapons until we are confident that we have a better way to keep the peace.

The contract for HMS Victorious includes a clause limiting the MoD's liabilities in the event of cancellation to 100 per cent of the contract value. A limit of 125 per cent of the contract value applied to HMS Vanguard, the first of the class, which was more expensive than the second, and the third and fourth submarines which are expected to be ordered next year and in 1989.

The invitations to offer competitive tenders for the next four Type 23 frigates will be sought from all UK shipbuilders with the appropriate capabilities - Yarrow Shipbuilders on the Clyde, which is building three Type 23 frigates; Swan Hunter Shipbuilders on the Tyne, which is building one Type 23 frigate; Vospers Thornycroft (UK); and the VSEL/Cammell Laird group.

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## Fears grow over national firemen's strike

BY CHARLES LEADBEATER, LABOUR STAFF

DANGER of a widespread firemen's strike grew yesterday as leaders of the Fire Brigades Union began working to rule by refusing to carry out routine drills.

The dispute escalated as local council officials and the union started industrial action in support of 360 colleagues who were said to have breached their contracts by refusing to give a pledge that they would not stage a series of strikes.

Fire brigades in Greater Man-

chester, Lancashire, Cumbria, Merseyside, West Midlands, Glasgow and the Northern Ireland began working to rule by refusing to carry out routine drills.

The dispute escalated as local council officials and the union started industrial action in support of 360 colleagues who were said to have breached their contracts by refusing to give a pledge that they would not stage a series of strikes.

There was little optimism yesterday that the Acat talks would provide a forum to end the dispute. Mr Ken Cameron, the union's general secretary, on a visit to West Glamorgan said: "My worry is that it could escalate into national strikes over an issue which should have been settled with goodwill on both sides."

Mr David Higgs, the union's national officer, said it was the serious dispute alone that should call for national industrial action over the dispute.

The 360 firemen continued to report to their stations yesterday despite the council's decision to call in a fleet of 35-year-old Green Goddess fire engines manned by soldiers to provide fire cover.

However, a senior council official indicated that it might take further steps against the men within the next few days. He said: "They are not being employed by us or paid by us. We have not locked them out yet."

## Baring pays top UK salary of £2.5m

BY MICHAEL SHAPIRO

MR CHRISTOPHER HEATH, managing director of Baring Securities, the securities subsidiary of Baring Brothers, the merchant bank, has emerged as the newest holder of the title of Britain's highest paid executive, with a pay and benefits package of just over £2.5m in the company's last financial year.

According to a report by Charteredhouse, the merchant banking and financial services group, second place is held by Mr Michael Slade, managing director of the property company Bellco Bar, who earns £1,061,000. Third place is held by Mr Peter Stormonth Darling, chairman of Mercury Asset Management, who earns £1,061,000. Mercury Asset Management is 75 per cent owned by the St. Warburg Group.

Sir Ralph Halpern, chairman of the Burton Group, who has often been referred to as Britain's highest-paid executive, is now in fourth place on £1,004,000.

By contrast, the typical Brit-

ish manager earns a total of £26,043, according to another report out yesterday by Inbacon Management Consultants.

The typical manager, Inbacon said, is 45 years old, has been in his job for five years and with his present company for 13 years. He has a company car and pays between 5 and 7 per cent of his salary to his company pension scheme.

Inbacon found that Britain's senior and middle managers received pay increases averaging 9.3 per cent in the year to July 1987. Their report, however, shows wide variations among the 7,080 executives surveyed, with almost one third receiving increases of less than 5 per cent. Another third saw their pay rise by more than 10 per cent. Six per cent of the managers received increases of more than 20 per cent.

Managers in the financial services sector fared best of all, with average increases of 13 per cent.

## Government warning on passport delays

THE British Government has warned travellers seeking passports not to send any applications to the main London passport office because of a dispute over the dismissal of a civil servant, says Labour Editor writes.

Some staff at the principal London passport office have been on strike since September 11 following the dismissal of a clerical officer, and staff at local unemployment and benefit offices held one-day strikes in support last week.

The Home Office said that other staff were still working at the office, but it acknowledged that the processing time on passport applications was now 10 weeks, compared with about two weeks in regional offices. The Home Office says the administrative assistant at the centre of the dispute was dismissed following persistently poor time-keeping and attendance, but his union, the Civil and Public Services Association, says he is being victimised.

The CPSSA is insisting in talks that the officer should be reinstated before discussions take place on more general problems.

## BBC Fiji service

BBC World Service has boosted the audibility of its news and current affairs broadcasts to Fiji through a link-up with Radio Australia. "This is an important piece of co-operation at a crucial time for listeners in Fiji," said World Service editor Anthony Rendell. An extra two-and-a-half hours of coverage of world events will become available. Last week, the Queen's message to Fiji was broadcast on the World Service.

## Halle cash crisis

MANCHESTER-based Halle Orchestra may have to cut its concert programme because of a growing cash crisis. The orchestra, which played 184 domestic and 12 overseas performances last year, lost £253,000 according to its annual accounts.

## Soames leaves £2.1m

LORD SOAMES, who died recently aged 68, left an estate valued at £2.1m. As the last governor of Rhodesia he oversaw the creation of an independent Zimbabwe.

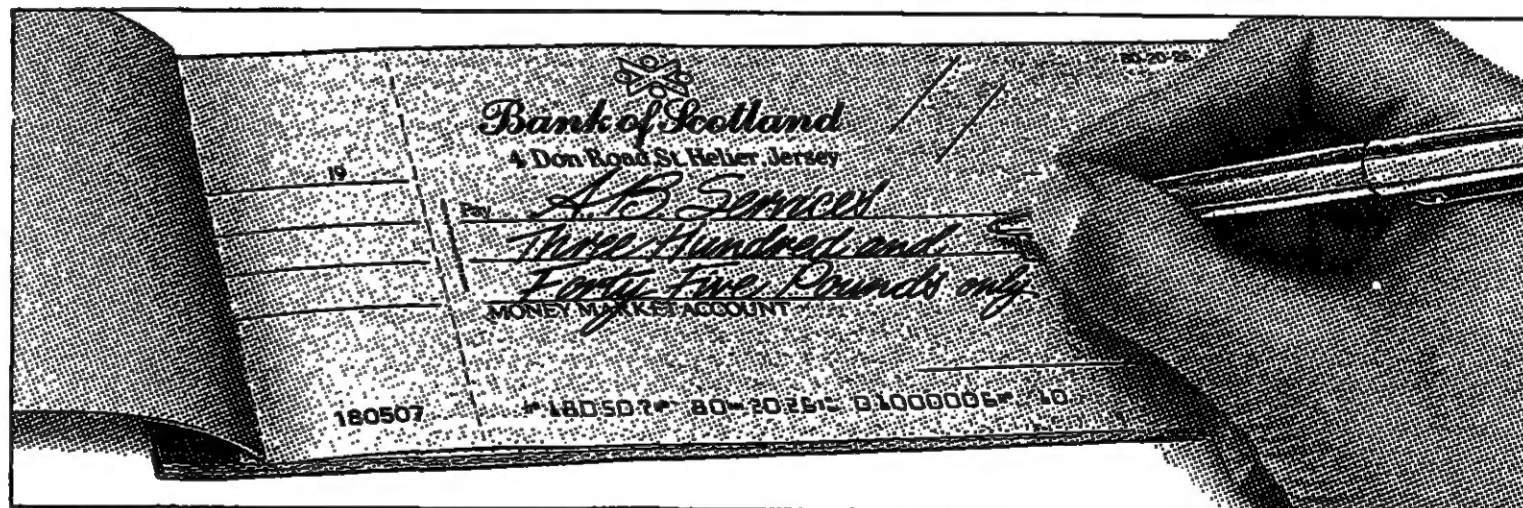
## Early 1988 potatoes

THE FIRST crop of 1988 Irish potatoes went on sale three months early in Dublin and fetched £10 each. Two small boxes, each containing 20 potatoes, were bought at the vegetable market auction for £400 by a local restaurant owner.

## Smoker gets help

PRO-TOBACCO lobby group Freedom Organisation for the Right to Enjoy Smoking Tobacco is to offer financial backing to Dennis Rogers who quit his £12,000-a-year job after his employers said it would impose a smoking ban from next January.

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## UK NEWS

## New structure of NEDC has 14 industry groups

By Hazel Duffy

MR NIGEL LAWSON, the Chancellor, yesterday announced a new structure of sector groups within the National Economic Development Council which cuts the number of groups covering particular industrial sectors and makes them more accountable to the Government.

The Chancellor has, however, made some concessions in the light of representations by the National Economic Development Council, the Confederation of British Industry and the Trades Union Congress.

The new arrangements, detailed in a letter from Mr Lawson to Mr John Cassels, director general of Nedo, were generally welcomed by the CBI as being very much on the lines advocated by the employers' body. The TUC, although deprecating much that was still "arbitrary in the announcement", said that it would "endeavour to ensure its success".

There will be 14 sector groups and three working parties, replacing the 38 economic development committees. They will cover major industries, including engineering where there had been concerns that the Chancellor's original proposals would seriously reduce Nedo's activities.

## Labour sets up economic and industrial think tank

By Tom Lynch

THE LABOUR PARTY is to set up a new policy think tank to sharpen its attack on government economic, financial and industrial policy.

The shadow Cabinet meeting yesterday in Nottingham, Sussex, agreed that its economic subcommittee, set up in the wake of the general election defeat, would be serviced by a new economic secretariat.

The group will be chaired by Mr Gordon Brown, the shadow Financial Secretary to the Treasury, and will consist of all the economic researchers working in the office of Mr Neil Kinnock, the party leader, and other Shadow Cabinet members. Academic experts, whose names have not yet been made known,

## Speaker rejects plea on security pass

By Tom Lynch

MR BERNARD WEATHERILL, the Speaker of the Commons, yesterday turned down a plea from Mr Jeremy Corbyn, Labour MP for Islington North, to reinstate the security pass of Mr Ronan Bennett, Mr Corbyn's research assistant, who was cleared on appeal in 1975 of a murder in Northern Ireland.

Mr Corbyn has threatened to put down a censure motion on the Speaker over his decision to suspend the pass, which is thought to have been taken on security advice and the Government is expected to allow a Commons debate on the subject soon after the summer recess.

The MP said last night he had emphasised to the Speaker that Mr Bennett had no criminal convictions. The Speaker's office refused to comment on the meeting but Mr Corbyn said Mr

The construction industry sector group is to be widened to include engineering construction. Sector groups in the electronics field will be redefined to cover a wider field.

In future, Nedo will have to specify a budget for each of the sector groups and go to the Treasury which will decide the allocation. Previously, Nedo had an overall budget which it decided how to allocate.

The work of the groups will be reviewed by the existing G4 strategy committee, chaired by Mr Cassels, with Sir Peter Middleton, Permanent Secretary at the Treasury, the CBI director general, and the general secretary of the TUC.

The groups will be able to set up working parties which are very much on the lines advocated by the employers' body. The TUC, although deprecating much that was still "arbitrary in the announcement", said that it would "endeavour to ensure its success".

The three current working parties include that of the maker-user, packaging, and innovation.

G4 will meet annually to consider a report drafted by Nedo on the committee structure and which will then bid for funds for the coming financial year on the basis of specific budgets for each committee.

## Car sales reach September record

By Kenneth Gooding, Motor Industry Correspondent

STRIKING CONTRASTS in the fortunes of the UK-based car companies this year were spotlighted last month as car sales reached a September record.

The Rover group's share of the UK new car market dropped to 13.1 per cent, the lowest level since December, 1984, when its share fell to 12.4 per cent.

The Peugeot group achieved a record share in September: 6.6 per cent. The French company had two models in the top 10 best-selling cars whereas only Rover's Metro made the top 10.

The Peugeot group's other brand, Citroën, is also setting sales records in the UK and together they are closing fast on third-placed General Motors-Vauxhall.

Vauxhall was expected to have a difficult year because it was well known that its best-selling model, the Cavalier, was due to be replaced in 1988. However, few observers predicted that the company would fall so far - its 8.28 per cent share last month was the lowest since

|                  |        | UK CAR REGISTRATIONS |        |        |         | Year to date |         |        |
|------------------|--------|----------------------|--------|--------|---------|--------------|---------|--------|
|                  | 1987   | %                    | 1986   | %      | 1987    | %            | 1986    | %      |
| Total market     | 177412 | 100.00               | 147283 | 100.00 | 1637131 | 100.00       | 1541883 | 100.00 |
| UK produced      | 81289  | 45.82                | 64125  | 43.58  | 719192  | 48.37        | 669667  | 43.43  |
| Imports          | 96129  | 54.18                | 83048  | 56.42  | 918219  | 51.63        | 872216  | 56.57  |
| Ford             | 57783  | 32.57                | 45026  | 30.59  | 471195  | 28.78        | 419264  | 27.19  |
| Rover Group      | 23087  | 13.01                | 21805  | 14.81  | 246722  | 15.10        | 250158  | 16.22  |
| Vauxhall/Opel    | 16459  | 9.28                 | 16355  | 11.10  | 210044  | 12.82        | 235594  | 15.29  |
| Peugeot/Citroen  | 14693  | 8.28                 | 7828   | 5.31   | 119883  | 7.32         | 98555   | 6.39   |
| Nissan           | 12446  | 7.02                 | 11483  | 7.84   | 89496   | 5.47         | 85499   | 5.54   |
| Audi/VW/Sat      | 10940  | 6.14                 | 8942   | 6.07   | 96692   | 5.91         | 96015   | 6.23   |
| Renault          | 7921   | 4.46                 | 6887   | 4.67   | 64353   | 3.93         | 58210   | 3.77   |
| Volvo            | 5796   | 3.27                 | 5079   | 3.45   | 56528   | 3.45         | 54183   | 3.51   |
| Fiat/Alfa/Lancia | 5185   | 2.93                 | 4289   | 2.92   | 61068   | 3.73         | 53884   | 3.50   |

Source: Society of Motor Manufacturers and Traders

March 1982, when Vauxhall's penetration share of 33.57 per cent was its best since December 1985.

According to the Society of Motor Manufacturers and Traders, last month's car registrations were 177,412 and 20.5 per

## Fujitsu to launch new range of computers

By Terry Dodsworth, Industrial Editor

FUJITSU, the leading Japanese computer manufacturer, is making its first big push in the European market for medium-sized machines with the launch of a new product range in the UK.

The introduction of the mini-computer line follows a similar drive in the US. It underlines Fujitsu's attempts to establish its computer activities outside Japan, where up to now it has concentrated on collaborative ventures with foreign suppliers of large mainframe machines.

Fujitsu's new strategy is aimed at establishing a position in the minicomputer section of the market. Such machines, more powerful than personal computers but not capable of the large processing duties tackled by mainframes, are designed to cater for corporate computing needs at a departmental level.

In the last few years, the departmental processing field has grown particularly swiftly, spurred on by the rapid expansion of Digital Equipment of the US. Companies have been attracted to such machines because they are small enough to be fitted into an office and can be linked up in networks with a number of terminals attached.

Fujitsu will be faced with tough competition breaking into the sector, the growth of which has already attracted a number of new suppliers.

The key to the group's growth prospects is likely to lie in the operating system it uses for its machines - a system known as Pick. Mr Iwao Shinoda, general manager of Fujitsu Europe, said yesterday the company had chosen Pick because it was easy to use and was rapidly gaining more support in the market.

That meant there would be an increasing amount of applications software to run. Fujitsu has had a subsidiary in the UK since 1981 and employs 170 people. Its main independent activity up to now has been in storage devices for computers and in semiconductor.

It also has an agreement with ICL, the leading UK computer company, to supply some of the main components for its range of large computers.

## Bank silent on chief's Lloyd's role

By Nick Barker

THE BANK of England yesterday refused to make a statement about the personal involvement of Mr Robin Leigh-Pemberton, the Bank's governor, in the forthcoming election of members of the ruling Council of Lloyd's of London.

It emerged on Monday night that Mr Leigh-Pemberton was one of 18 people who had acted as proposers for one of the candidates, Mr William Birch Richardson.

Mr Leigh-Pemberton's role in the election has angered some members of Lloyd's and worried other candidates in the election, because as governor Mr Leigh-Pemberton is responsible for keeping watch on the affairs of Lloyd's.

Mr David Ingram, a Bank of England press officer, said the Bank could not comment on the matter on its own behalf or on behalf of the governor.

Lex, Back Page

## Raymond Snoddy meets the chief executive of British Satellite Broadcasting

# One last run for satellite TV's latest convert

THE NEXT career move of Mr Anthony Simonds-Gooding might have been to run a large, established blue-chip British company. He had a track record as former chief executive of Whitbread, the brewing group, and as chief executive of Saatchi & Saatchi's communications division, accounting for 30 per cent of the advertising and consultancy group's activities. The headhunters called from time to time.

Instead, Mr Simonds-Gooding, at 50, has taken on running a high-risk start-up company, British Satellite Broadcasting, the UK's \$525m direct-broadcasting-by-satellite venture.

Where first approached he was not particularly interested: satellites, chips and dish-aerials were not something he had been concerned with.

However, he was impressed by the companies involved - the investors range from Granada, Virgin and Pearson, publisher of the Financial Times, to the Bond Corporation of Australia, and by shareholders appearing to have a clear idea of where they wanted to go.

He says that by the time the venture's nature had been fully explained it was "like going to the tailor and finding the suit fits very well."

He decided, to the surprise of friends and colleagues at Saatchi and in spite of many inducements to stay, to become chief executive of BSB, to run what is claimed as the world's first high-power private-sector



Anthony Simonds-Gooding learning from apple fritters

BSB venture. The consortium plans to begin broadcasting three national television channels from space direct to individual homes from autumn 1990.

"I thought it would be enormous fun and really, really interesting to have one big thing left to do. One last run," says the Dublin-born former prop forward with the London Irish rugby team.

Mr Simonds-Gooding was talking yesterday about why he decided to leave Saatchi and how he will approach the task of

trying to turn BSB, a technology and investment-driven venture, into a marketing-driven consumer success.

"Some time, some way, somehow there is going to be a successful satellite operation in the UK. I would bet a pound to a gooseberry that we are not going to have just four buttons on our television sets for ever," he says.

The BSB chief executive is still hiding up at Saatchi. So far his philosophy for BSB, a venture he calls a good wheeze, is

contained on two sides of a piece of writing paper. None the less, the headings he has written clearly indicate how he intends to approach the task. He believes the main opposition is neither other satellite channels nor cable television, but existing UK broadcasting bodies. The aim is to create a

'We're not going to have just four buttons on our television sets forever'

third force in British broadcasting, a top blue-chip competitor to the BBC and ITV system.

"If we are really lucky we can bring off something spectacular and special," says Mr Simonds-Gooding, whose salary package at BSB is believed to be about £225,000.

He regards Astra, the 18-channel, Luxembourg-based satellite due to be launched next year as simply a lower-cost, less-ambitious project than BSB. It is not beyond his imagination to believe there is room for both, he says.

His immediate priorities are to try to ensure that the necessary regulatory framework is available in time and at the right price, and to persuade the Government that new competition in broadcasting should be introduced "in a way the market can

take." Mr Simonds-Gooding, who describes himself as someone with wide strategic interests, has been involved in three large ventures in his business career.

He participated in the diversification of Whitbread away from a purely UK-based brewing company and, later, as chief executive, in replacing a national structure based on the companies' different activities. "When I left, £50m was wiped off Whitbread's shares - although they soon recovered," he says.

He says he is, most of all, massively proud of the integration of Saatchi's US acquisitions into a structure he believes will stand the company in good stead for many years.

However, one early experience at Unilever, was somewhat less successful. The young Simonds-Gooding was manager of a new product - apple fritters: the market research was wonderful; people liked the product. But there was a problem: "We didn't sell a packet. It didn't conform to people's habits. No one wanted to get up in the middle of a meal and fry the pan."

It is well aware that in his new job, rather like the case of the apple fritters, he will have to forge new habits and break new ground.

There is no habit for satellite television: there is no habit of buying satellite receivers. We have to make it happen. Say the man who can hardly wait to begin his new "exciting adventure".

## Policy on inner cities under attack

By Hazel Duffy

GOVERNMENT POLICY on the inner cities has come under attack from three independent sources.

A report from a commission on private house building in inner cities says that the total grants paid out by the Environment Department should be doubled from £400m to £800m to stimulate more private investment.

The independent commission was appointed by the House Builders' Federation and chaired by Mr Wyndham Thomas, who is a board member of the London Docklands Development Corporation and chairman of Inner City Enterprises.

It is also calling on the Government to consider setting up

land agencies to assemble land for development, principally for housing, on a commercial basis. London, the north-west and Yorkshire are suggested areas.

The commission says that house builders should also be more active in seeking out sites and offering partnerships to local authorities.

The Royal Town Planning Institute, meanwhile, in response to the government's consultation on the proposed introduction of Simplified Planning Zones, says that the simple reduction of planning controls would not be enough of an incentive to attract developers or investors in the absence of any financial advantages in the zones.

As an alternative, it suggests

that "off the shelf" outline planning permission be made available on adoption of a local plan.

Investors in industry, the venture capital group, has set up a Urban Inner City Venture Fund to provide equity backing to business start-ups and expansion schemes.

It will focus on the 16 inner-city areas that have a government task force. Shareholdings in new business ventures will be on a minority basis. The fund will enable the group to strengthen its presence in the smaller end of the investment market, concentrating particularly on equity investments in the £20,000 to £50,000 area.

## Unions want BA-BCal merger

By Michael Downe, Aerospace Correspondent

TRADE UNIONS in the air transport industry are in favour of the proposed merger between British Airways and British Caledonian Airways being approved by both the Monopolies Commission and The Government.

Evidence submitted some time ago to the commission by the National Joint Council of the unions has now been published. It makes clear that the unions believe "there is no sensible alternative to allowing the merger to go ahead".

But the unions accept that there must be some framework of regulation to reassure other independent airlines that their competitive positions would not be jeopardised by the merger.

However, the unions argue that given the possibility that air traffic might double by the beginning of the next century, "there ought to be plenty of opportunities for the specialised, regional and smaller network carriers to expand". They emphasise that trades unionists can gain from an expansion of traffic which, in turn, is derived from greater efficiency, lower

fares and a widening of user choice.

Nevertheless, they also emphasise that air transport is an international industry, "and we urge the commission to place little weight on parochial concerns about competition between British carriers."

The real competition against British operators is from abroad, they say, adding that, as a result, "we must recognise the economic and institutional logic of letting the merger go ahead."

But the unions accept that

## Banham plea to industry over skill problems

By Hazel Duffy

MR JOHN BANHAM, director general of the Confederation of British Industry, called yesterday on business to solve its skill problems and overcome one of the main handicaps to greater competitiveness of industry.

He stressed that business could not look to the public sector to solve its skill problems. "We should perhaps take a tip from the farmers and note an old Norfolk saying: Live your life as though you will die tomorrow but farm your land as though you will live forever."

"Too many businesses are farming their assets as though they don't expect to have a future."

The problems of training went hand in hand with failures in the education system. Mr Banham's remarks were made in the wake of the CBI's annual presentation on pay to employers which showed that pay pressure on employers is increasing reflecting the fall in unemployment and the growth in vacancies.

Skill shortages existed in every region in spite of high levels of unemployment and many companies were concerned that they could not recruit enough skilled people. "Skill training must be improved to overcome these shortages and reduce escalating costs."

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The pension fund management company will be 51 per cent owned by Eagle Star, the Spanish tobacco manufacturer.

The move comes at a time when British insurance companies are showing increasing interest in Spain and other parts of southern Europe.

The pension fund management company will be 51 per cent owned by Eagle Star, the Spanish tobacco manufacturer. The Spanish company has a business association with the tobacco interests of Eagle Star's owner, BAT Industries.

## Eagle Star in joint Spanish fund venture

By Nick Barker

EAGLE STAR, the British composite insurer, has formed a pension fund management company in Spain jointly owned with Tabacalera, the Spanish tobacco manufacturer.

The move comes at a time when British insurance companies are showing increasing interest in Spain and other parts of southern Europe.

The pension fund management company will be 51 per cent owned by Eagle Star, the Spanish tobacco manufacturer.

The Spanish company has a business association with the tobacco interests of Eagle Star's owner, BAT Industries.

## Manchester gives up Ship Canal

By Paul Channert, Property Correspondent

MANCHESTER City Council is to give up its century-old coastal waterway, the Ship Canal Company, but will be associated with it in a new property development company to undertake inner-city renewal projects.

The company controls 4,000 acres of land and 800 acres of water, running from Manchester Port, south of the Mersey, to central Manchester. It was set up to provide Manchester with access to the sea but ran into financial trouble and was rescued by the council.

The council will seek statutory changes to alter the company's constitution. They will remove the council's right to appoint a majority of directors and control its external borrowings.

Manchester Ship Canal, as part of the realignment that will give the company to the shareholders, will repay all its borrowings from the council. That will give the council 51m and ease the economies of the canal. It is seeking to make for 1988-89 when it will be re-captured.

The council had no equity in the company, which since February has been controlled by a private company controlled by Mr John Whitaker, the property developer and investor.

The Ship Canal Company will keep open the upper reaches of the canal. It will have 51 per cent of the property development company and the council 49 per cent.

Murdoch's Sky losses £10.19m

By Raymond Snoddy

THE LOSSES of Mr Rupert Murdoch's satellite channel Sky in the year to last June, before tax and after interest, were £10.19m and not £14.4m as reported in yesterday's Financial Times. The figure for the previous year was £5.85m.

The figures for last year in News Corporation's accounts, expressed in Australian dollars, were after tax while this year's figures were preliminary before tax. Since the report was printed there has been a further downward adjustment of losses, to £10.19m.

## Mixed response to Royal Life trust

By Eric Short

ROYAL LIFE Fund Management, the unit trust arm of the insurance composite Royal Insurance Group, yesterday presented the results of its big promotional campaign last month, entitled the Royal Event, to market its three new trusts - a campaign on which it spent £3.9m.

The company's executives at yesterday's press conference were able to point to a number of successes from the campaign that realised their objectives.

Some 135,000 individuals applied for units, against a campaign target set at 100,000.

Three fifths of individuals applying direct to Royal Life were new investors to unit trusts. A sample poll of business from intermediaries also showed a high proportion of new investors.

Thus the objective, stated at outset of the campaign, of widening the public's awareness of unit trusts appears to have been fulfilled.

The administrative back-up

to the launch performed exceptionally well. Royal Life at the outset aimed at sending out all the contract notes within a fortnight of September 30, when the offer closed. The vast majority of notes have already been despatched and all will have been sent by tomorrow.

Certain other unit trust groups have had administrative problems coping with the success of the campaign. The current boom conditions for unit trusts sales.

Finally, a survey carried out after the campaign showed a 70 per cent awareness of the name Royal, or 10 per cent more than before the campaign.

However, when it comes to the main objective of the campaign, the amount of money invested it was far from being the success targeted at the outset.

The campaign brought in £240m, which is the highest amount ever raised in a single unit trust marketing effort, marginally exceeding the £220m raised by Commercial Union at

the end of last year.

Yet the target was £200m, so Royal Life fell some 20 per cent below its objective, in spite of the higher number of individuals buying units.

Royal Life completely misjudged the average amount that would be invested. It had assumed an average investment of £3,000 from each individual. In spite of receiving £250,000 from one source, the average investment was only £1,780.

Nor has the campaign achieved its overall aim of getting individuals to regard unit trusts as the main vehicle for their investments.

However, the amount raised brings the total unit trust funds under management to £250m, and puts Royal Life just within the top 20 managers by the size of its funds.

Royal Life was offering investors three international trusts with varying degrees of investment risk and reward. The majority (£170m) went for the Growth fund - a middle-of-the-road fund. How-

ever, a substantial sum of money - £20m - was invested in the Speculative fund, while only £18m was attracted by the Cautionary fund.

Is Royal Life going to repeat the campaign? After all, the amount spent represents 2% per cent of the sum invested. Allowing for other expenses and the 1 per cent discount, the 54 per cent expense margin must have been virtually swallowed up.

Mr Peter Baines, general manager of Royal Life Fund Management, is understandably reticent at this point. The company needs to analyse further the results of this campaign, although it has already learnt one lesson.

It needs to be far more forthcoming on its investment record than it was in its promotional literature.

However, Mr Baines is adamant on one point. The campaign style, on the lines of a prize draw, did not mislead the public, as had been claimed by various sources.

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## UK NEWS - CONSERVATIVES AT BLACKPOOL

## Tebbit calls for extension of 'Thatcherism'

A FURTHER extension of 'Thatcherism' to exploit the disarray of the opposition parties and capture the political centre ground was urged by Mr Norman Tebbit, the party chairman, when the Conservative Party conference opened at Blackpool yesterday.

To prolonged applause from the rank and file and with Mrs Margaret Thatcher, the Prime Minister, beaming approval, he insisted that this new political objective must be achieved without the Government's policies being lurching to the left.

Mr Tebbit, in what was generally regarded as his last important conference speech as party chairman, told his former Cabinet colleagues that there must be no repeat of the mistakes made in 1959, when a third consecutive Conservative election victory was marred by the Macmillan government losing its way in mid-term.

He stressed that many parties had tried to claim the middle ground by moving towards their opponents and all had failed.

Mr Tebbit said: 'Our task is to establish the new political consensus within which our opponents must work by drawing the middle ground towards us. He claimed that this was the purpose of the Government's drive to spread privilege more widely, to offer, not least through education reform and the enterprise culture, opportunity for every citizen to grow to full stature.

Amid further cheers, Mr Tebbit warned that to dilute the commitment to battle against excessive public expenditure, taxation and inflation which had brought the success of Thatcherism would be to throw that success away and return to the dismal years which Britain experienced until the Conservative election victory in 1979.

Mr Tebbit took credit for the success of the Conservative



Norman Tebbit and Margaret Thatcher, together at the conference

campaign in last June's general election in humorous rather than boasting terms.

He recalled that without the benefit of any Falklands factor, and without the Michael Foot factor to help, the party had not only achieved a majority of more than 100 but also maintained its share of the vote to within a fraction of 1 per cent of that achieved in 1983.

He gently reminded the Prime Minister that there had been speculation about disagreement between the so-called consolidators and the so-called radicals. He rejoined in the fact that she had shared his view that such a division was meaningless and that the aim should be to consolidate the progress made in her first two administrations and carry through a radical programme in

her third. Mr Tebbit denied that the appearance of disarray which affected the Government earlier last year was in any way connected with the fact that he was out of action and in hospital at the time.

He traced the turning of the tide in the Government's fortunes

to the fourth budget introduced by Mr Nigel Lawson, the Chancellor of the Exchequer. Mr Tebbit mocked and ridiculed Labour and the Liberals and Social Democrats in turn.

He said the Liberal/SDP Alliance 'the mould shatterers, the nice people who could work together' - were hopelessly divided, squabbling and abusing each other in monstrous political mob scenes like some vast collective Punch and Judy show.

Mr Tebbit dismissed Labour as being 'split irredeemably between those who put socialism first and those who want to put

Reports: PETER RIDDELL, NOR OWEN, LISA WOOD and JOHN GAPPER Pictures: ALAN HARPER

winning elections first.' He said the office-seeking wing of the Labour Party was anxious to let it be known that it accepted what had been achieved by Mrs Thatcher's governments and wanted to live with it in the 'post-Thatcher era'.

Mr Tebbit described the identity of Tory voters as a home-owner, a private sector worker and those more likely to own shares than to belong to a manual trade union.

Numbers in each of these categories were in long-term decline.

Mr Tebbit claimed that, while Labour was occupied for the next two years in carrying out its policy review, it would have no alternative agreed policy to put forward.

This meant that the Conservative Party would have the burden, perhaps for the next decade, until a credible alternative was created, of being a government that must not fail and must not lose the confidence of the elector because there is no other party fit to govern.

## Bunch of swells starts to celebrate

THE STERN Thatcherite slogan emblazoned above the Conservative Party Conference platform at Blackpool reads 'Action for the Third Term'. But, judging by yesterday's opening proceedings, a more appropriate theme would be the title of this year's conference: 'What a Swell Party This Is'.

In spite of official warnings against complacency, most of the platform speakers and the rank and file indulged in considerable self-congratulation following the party's overwhelming election victory.

The well-known Tory call of 'leader worship' seemed to have been almost entirely forgotten.

The conference motions glided through in a spirit of unanimity with only the occasional apologetic note of mild dissent.

Tebbit, Minister of State for Employment, was delighted to see the non-controversial motion on small businesses. It was the Tory Party which had achieved the success, 'Above all, Mrs Thatcher's leadership achieved it', he declared.

He extolled the new heroes of free market economics in the same way that the Soviet press used to praise the efforts of the heroes of labour in the latest five-year plan. There was a Mr and Mrs Morrey of Croydon who were cleaning windows by hand, a Mr and Mrs Adcock of Leeds who had invented a safe blade for rotary mowers which he demonstrated by plunging his foot into it.

But what of Nicholas Ridley, Environment Secretary, who was said to be facing a Tory revolt over his controversial plan for replacing local authority rates by a poll tax?

Alan, it quickly became clear that the party managers had been at work to head off any incipient trouble. No hostile amendment appeared on the agenda and only two speakers opposing the motion were called to the rostrum. The others fell over one another in their eagerness to support the Government for its boldness in bringing in this sweeping reform and urged ministers to complete the changes even more speedily.

The horrors of free spending left with local authorities were dangled before the gaze of the terrified party workers. Nuclear-free zones, lesbian festivals, anti-police activities, Broadwater Farm riot - in short what they wanted? It was certainly what they would get if they voted against the poll tax.

In this chauvinist atmosphere, Mr Ridley had no difficulty in describing it as an extremely good debate and accepting with alacrity the motion welcoming the introduction of the community charge (the euphemistic title for the poll tax).

He sat down to loud applause and a partial standing ovation as the motion was carried with hardly any opposition. One again what was heralded as a trip to the execution block for the aristocratic Mr Ridley had turned into a triumphal procession.

Even the belated Norman Tebbit, Party chairman, removed his fangs for his appearance yesterday and seemed in a comparatively mellow mood as he reminisced about the triumph of 'Thatcherism'. It has been remarked that he will be relinquishing his post and he certainly seemed to end his remarks on a relatively amiable note.

In what might be his last hour, he said: 'Although I will no longer be in the team that will fulfil these hopes, I will be there to cheer you on.'

In a desperate search for at least one note of dissent, it was necessary to spend the lunch break in Blackpool public library, where former minister Michael Heseltine was delivering the Harold Macmillan Lecture.

When a politician gives a lecture instead of your run-of-the-mill speech it is a sign that something of unusual interest is intended. Sure enough, yesterday's event had been heralded by some pundits as the official launch of Heseltine's long-term campaign for the Conservative leadership.

The transcript of the lecture was contained in a glossy cover showing a photograph of the man they used to call Tazman. For greater respectability he had been shorn of his long locks. It certainly had all the trappings of the slick brochures that are put out at election time.

All the code words associated with Conservative discontents who want to distance themselves from the leader were there. References to Disraeli led up to an account of the glorious reign of Harold Macmillan which seemed to be viewed through a golden haze.

There were frequent references to the old patristic concern to protect the unfortunate members of society from the 'travelling winds of life' and his dislike for arcane doctrines and economic efficiency. We were clearly meant to contrast this with the rough ways of our own dear Prime Minister at the present time. All of this was delivered in the well-known Heseltine declamatory style that used to bring rapturous, foot-stamping enthusiasm at Tory Party conferences when he was still in the government. But on this occasion he only drew polite applause.

JOHN HUNT



Nicholas Ridley: better off would pay more

## 'Fair' poll tax given support

PLEAS THAT the introduction of the poll tax in England as a replacement for domestic rates should be completed in 'one go' rather than phased over a period were ignored by Mr Nicholas Ridley, the Environment Secretary.

His insistence that the improved accountability ensured by the new levy - officially termed the community charge - would force high spending Labour-controlled councils to mend their ways or risk electoral defeat overshadowed the reservations voiced by some rank and file speakers in the debate.

Mr Ridley's claim that, in addition to restoring accountability, the poll tax was 'simple and fair' was endorsed by a massive majority with little more than a dozen hands raised in opposition.

He maintained that domestic rates were seen as unfair and arbitrary by the overwhelming majority of those who paid them.

Mr Ridley emphasised that, whereas only one adult in three in the Labour-controlled London borough of Lambeth paid rates, and fewer than one in four paid anything at all in Manchester, the community charge would be based on the concept that everyone should pay the same amount for the same standard of services.

He said the better off would pay much more for local services but everyone would pay something.

The highest paid 10 per cent of households would pay nearly 16 times as much towards the cost of local services as the lowest paid 10 per cent.

Mr Ridley explained that the community charge would cover only a quarter of local authority spending - three-quarters would come from the central taxpayer and the business rate.

Giving an assurance that there would be no hardship for the less well off, he said that at the lower end of the scale there would be rebates for up to 80 per cent and help through the income support system.

Mr Ridley refused to accept that there was any role for local authorities in seeking to

achieve greater equity in the finance of local government.

He said: 'It must be for the Chancellor of the Exchequer - and he alone - to decide the levels of redistributive taxation. Not, thank goodness, for the councilors at Brent, Lambeth or Liverpool.'

Mr Ridley contended that only the community charge could enable local electors to exert local control.

He urged the conference not to be alarmed by examples citing the likely level of community charge in areas where high levels of spending had forced up the rates.

'Councils can and do cut their spending,' he said.

In one of the few critical speeches, Councillor Christina Rooke from Broxbourne warned that a 'sizeable minority' would be considerably worse off as a result of the poll tax.

She also underlined how reductions in rate support grant provided by central government had the effect of requiring local residents to pay much more in rates through no fault of their council and without any improvement in local services.

The pleas for the poll tax to be introduced in a single operation were strongly supported by Mr Gerald Malone, who lost his seat in the Council as MP for Aberdeen South in the June general election.

He said speedy action was required to maximise the political benefit which the Conservative Party would gain from abolishing domestic rates.

Mr Malone warned that without the introduction of the community charge the retention of domestic rates would necessitate a property revaluation which, in some instances, could lead to a 5,000 per cent increase in rateable values.

Mr Chris Buckwell from the Medway area argued that the administrative difficulties involved in introducing the poll tax would be intensified by any phasing.

Insisting that it was not a time for faint hearts, he urged Mr Ridley to introduce 'this excellent scheme as soon as possible - and in one stage'.

## Move on youngsters who refuse training

YOUNG PEOPLE who refuse places on government training schemes will no longer be eligible for social security benefits under proposed legislation, Mr Norman Fowler, Secretary of State for Employment, announced yesterday.

Mr Fowler said in a speech to the conference that the Government intended to introduce legislation to stop a 'small minority' of school leavers 'pursuing a career in filling in benefit claim forms'.

He also announced that the Government would recruit more staff to limit the extent of social security fraud, adding: 'Bluntly, there are too many people working in the black economy and drawing benefits.'

In a speech singling out some 'extraordinary abuses' by trade unions, he said the proposed Trade Union Act would be introduced in Parliament by the end of the month with the aim of giving union members new rights.

Mr Fowler, who won a prolonged standing ovation from delegates at the end of his speech, said that the Government faced considerable challenges in further reducing unemployment and increasing the provision of training.

The country had rejected the solutions of the Left, he said: 'The bell tolls for the Bickerstaffs and the Benns. Their day is gone. But that means the responsibility on us in this party is all the greater.'

Mr Fowler said the Government had a plan of action for jobs and training through life, which started with a guarantee to each school-leaver under 18 of a job or a place on the Youth Training Scheme.

He said that YTS had been 'a remarkable success' and that young people needed not more social security, but rather more national apprenticeships as a practical preparation for work.

Mr Fowler also promised a 'new drive to bring the long-term unemployed back to work' through schemes such as the Job Training Scheme, Job Clubs and Restart initiatives.

However, he said all the Government's efforts would be defeated if industry became a battleground through prolonged industrial disputes. The new Trade Union Act would add to improvements already created by previous legislation.

He said: 'Our fundamental concern is for individual trades union members. Our aim is to give them back full control over their working lives.'

In a generally subdued debate on a motion urging the Government to continue to improve training and modernise industrial relations, the liveliest contribution came from a delegate who is a window cleaner in Bournemouth.

Mr Greg Archdale (Bournemouth East) urged the Government to make sure that 'toasters' who preferred to watch daytime television than go out and find a job did not retain their right to social security benefits.

A blind delegate, Mr Jonathan Day (Waveney), asked Mr Fowler to consider amendments to the 1986 Social Security Act and the Disabled Persons Act 1986 allowing 'therapeutic employment' schemes for the disabled and handicapped to be financed from public funds.

## N-weapons to remain basis of security

NUCLEAR WEAPONS will remain the foundation for European security for the 'foreseeable future', Mr George Younger, the Defence Secretary, told the conference.

While welcoming the fact that the United States and the Soviet Union stood on the threshold of an historic agreement on reductions in intermediate range nuclear missiles, he rejected claims by Labour politicians and the Campaign for Nuclear Disarmament that it was the first step on the road to 'a utopian nuclear-free Europe'.

Mr Younger reinforced the Government's commitment to maintaining an effective British nuclear deterrent, by announcing that an order had been placed with Vickers of Barrow for HMS Victorious, the second of the Royal Navy's Trident submarines.

He emphasised that, even if it were possible - by an act of political will - to rid the world of all nuclear weapons, it would never be possible to abolish the knowledge of how to make them.

Mr Younger said: 'Who can say - in those circumstances - that in times of tension the race would not be on to put that knowledge to use?'

A world in which nuclear weapons could be dispensed with would have to be very different to that existing at the present time and one in which the conventional forces had also been eradicated.

Mr Younger said: 'Nato must therefore maintain the protection of nuclear weapons until we are confident that we have a better way to keep the peace.'

He contended that the ordering of HMS Victorious, coupled with the issuing of tenders for up to a further four Type 23 Duke class frigates, destroyed the case of critics who asserted that Britain could only maintain an effective nuclear deterrent at the cost of weakening the Royal Navy's surface fleet.

Taken together, the new weapons to be ordered would account for expenditure of more than £1bn over the next few years and represented just one part of the massive investment in the navy.

This offered the clearest demonstration of the Government's commitment to balanced forces in which neither the modernisation of the nuclear deterrent nor conventional forces could be neglected, he said.

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George Younger: reinforced commitment to nuclear deterrent

## Many schools 'may opt out'

MANY SCHOOLS may decide to transfer from local authority control to grant maintained status, Mr Kenneth Baker, the Education Secretary, suggested yesterday at a conference fringe meeting.

Answering questions at a packed meeting organised by the party's national advisory committee on education, Mr Baker surprised some observers by saying that he thought many schools would take up the opportunity of opting out to become grant maintained schools.

Previously, he had implied that only a relatively small number of schools might choose to transfer from local authority control.

His comment was made in response to a number of questions from councillors in Conservative-controlled or dominated shire counties who wondered about the relevance of the opting out proposal. He stressed that this was an option for parents and schools and that the response would depend on local circumstances.

Questions were also raised about other aspects of the Government's proposals for reorganising the schools system, with a councillor from Kent wondering how many parents would want to be involved as governors. The councillor pointed to the 'abysmal attendance' at meetings of parents and of governing bodies.

Mr Baker said that, under the new system of increased parental representation on governing bodies, Conservative-minded parents should be encouraged to come forward.

He also said there would have to be training for governors, given the proposals for greater responsibility and delegated financial powers for governing bodies. Similarly, head teachers would have to be trained to take on greater delegated responsibility for their budgets.

In the questions there was a sharp contrast between the general satisfaction with the present system expressed by councillors and teachers coming from the shire counties and the pressure for reform from those in largely Labour-controlled large towns and cities.

## Health service reform urged

MODERATES WITHIN the Conservative Party should work to ensure that reform of the health service and education benefits the worse off and those living in inner cities, Mr Kenneth Clarke, Trade and Industry Minister, argued.

Mr Clarke, addressing a fringe meeting organised by the Tory Reform Group, said that the left wing of the party was now united with the right behind policies such as privatisation and promotion of a free market economy.

But he added that members of the Tory Reform Group - the major left wing pressure group within the party - had to ensure that increased efficiency in the major public services was aimed at inner-city schools and the unfashionable parts of the health service.

Mr Clarke said that they should support moves to bring competition, cost effectiveness and improved management to the public services in the way that they had been brought to nationalised industries through privatisation.

He said: 'If you do not get the same quality as privatisation government departments. However, he said there had been change in the Government's understanding of problems in its third term. 'We no longer think primarily of giving grants to public bodies to act as our agents. We intend to get directly involved in partnership with the private sector to get the inner-city moving,' he said.

The Government could now offer businesses an extensive menu of possible ways in which they could help. The company must choose from that menu exactly how and where they wanted to take part and the relevant

has achieved in the state industries in these areas, you will cause them great damage. Indeed, they will wither and die as more and more customers opt for the private sector alternatives.'

He said that the old debate between 'wet' and 'dries' within the party was now over and disputes on issues such as monetary policy were no longer necessary.

MS (the money supply measure) is like a ball in a cricket game that has gone into a field and been lost,' he said.

He suggested ministers should personally be associated with the rebuilding of individual parts of Britain. An English Development Agency could co-ordinate the thrust of government policy, drawing on the management skills of the private sector and spearheading a variety of programmes tailored-made to the needs of individual towns and cities.

He also suggested that the Treasury should allow more of the cash raised by council rate sector to be re-invested in the stress areas and thus demonstrate the wider benefits of the privatisation programme.

In his call for more public spending, Mr Heseltine said: 'We must attack this problem not in any narrow sense but in the way that will follow as though dividends to a speculator.'

## Greater involvement in inner cities

THE GOVERNMENT intends to be directly involved in partnership with the private sector to assist in inner-city regeneration, Mr Kenneth Clarke, Chancellor of the Duchy of Lancaster and Minister for Trade, told conference yesterday.

Mr Clarke was replying to a debate on inner cities and urban renewal in which the motion, which was supported, stated that vigorous private enterprise was an essential part of the solution.

Mr Clarke outlined the different strands of urban renewal which were being pursued by

government departments. However, he said there had been change in the Government's understanding of problems in its third term. 'We no longer think primarily of giving grants to public bodies to act as our agents. We intend to get directly involved in partnership with the private sector to get the inner-city moving,' he said.

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## Calls for more aid for small businesses

REPEATED calls for the raising of the VAT threshold for small businesses were made in the debate on small businesses.

The motion, which was approved, urged the Government to bring forward additional measures to encourage the birth and growth of new companies and to reduce the burden of bureaucracy.

Mr John Cope MP, Minister of State for Employment and Minister for Small Firms, hinted that new measures may be on the horizon. Any changes in VAT would have to involve the EC.

Mr Ron Thresher (Halifax) said businesses were harassed by bureaucracy, including the 200,000 VAT threshold.

He said: 'I urge the raising of that figure to 250,000 or even up to 300,000. This would ease the workload and give the individual a new lease of life.'

It was a theme taken up by Mr Fred Tuckman (Leicester), who also urged VAT exemption for businesses employing fewer than five people.

Mr Michael Barratt (Oxford) asked for the introduction of a 10 per cent capital allowances on investments of up to £5,000 for the first year of a new business.

Mr John Grylls MP (North West Surrey), chairman of the Small Business Bureau, spoke of his new unit's work.

He said that if the right conditions were created in the big cities enterprise would flourish. 'Rating reform will be a great help,' he said.

Conference had been told by Mr Eric Wilson (North West Hampshire), who introduced the motion, that there were nearly 1.5m small businesses established every week. He urged that interest rates and inflation be further reduced.

Only one speaker, Mr Robin White (Bishop Auckland), spoke against the motion. He said: 'You have no right to call for further measures when so much has been done already.' He said other areas, such as schools and the social services, needed help.

Mr Cope, in his speech to conference, said: 'I have noted the particular suggestions made in this debate and in the recent Conservative Political Centre contact programme discussions and I will make sure the Chancellor of the Exchequer reflects on them too.'



## UK NEWS

## Report predicts modest carpet industry growth

BY ALICE RAWSTHORN

THE CARPET industry, which has suffered from flat sales during the consumer expenditure boom of the 1980s, can expect modest growth in the future, according to a report from the Economist Intelligence Unit.

Consumer expenditure on floor coverings rose by 8.7 per cent in real terms between 1980 and 1986, according to the report. During the same period, expenditure on all household goods increased by 12.8 per cent and by 40 per cent for some of the large domestic appliances.

The carpet sector reached its low point in the early 1980s but has since recovered. Last year 198m sq m of carpets were sold, an increase of 20 per cent on 1982. The trade market was worth £300m and the retail market £1.4bn. The report estimates that 25 per cent of carpets are sold to contract - or commercial - rather than domestic customers.

Tufted carpets still dominate the sector, with 87 per cent of sales last year. Axminster carpets have continued to lose market share - falling from 9 per cent to 7 per cent in the past six years - while Wilton carpets claim 5 per cent of sales.

The resilient floor coverings

market has been more sluggish, stabilising at sales of 32m sq m since 1982. Last year the market was worth £103m at trade prices.

For the future, resilient floor covering sales should continue to be stable in the face of strong competition from other types of flooring such as quarry tiles and cork. However, the contract market may be more buoyant.

The outlook for carpet sales is better. The report expects modest growth fuelled by the higher level of house building, new products and stronger marketing. It forecasts that some new developments might improve durability, reducing replacement sales in the medium term.

In recent years the British carpet industry has undergone substantial restructuring. Among manufacturers, Cooil Viyella has strengthened its dominant position through acquisition; while both the John Crowther Group and Cololoni have built up significant carpet interests. In the retail sector, the industry is still waiting to see which group gains control of Allied Carpets from Asda-MFI. Retail Business, Economist Intelligence Unit, 40 Duke Street, London W1A 1DW, £38.

## Construction orders rise by a fifth over 12 months

BY ANDREW TAYLOR

THE OUTLOOK for British construction output continues to look bright, with order books of quantity surveyors rising by 20 per cent in 12 months, according to figures published yesterday.

Workloads of quantity surveyors, like those of architects, provide an early indication of orders for the construction industry.

The survey compiled by the Royal Institution of Chartered Surveyors, showed that quantity surveyors' order books in the three months to September were 5 per cent higher than in

the previous three months. Over 12 months, order books had risen by 20 per cent, said the institution.

The biggest gains were in the private commercial sector, where the boom in office building in London and south-east England had increased orders by 27 per cent in the last year.

It was particularly concerned that there might be a flood of orders from developers if moves by the European Community to impose VAT on building works in Britain succeeded.

There has been no VAT on the European Court.

## Private hospital must pay NHS rates

Financial Times Reporter

NURSES' PAY at an American-owned private hospital planned for Scotland must be pegged to National Health Service levels, Mr Malcolm Rifkind, the Scottish Secretary, said yesterday.

Mr Rifkind was announcing a conditional go-ahead for the project. Health Care International plans to open the £112m hospital at Clydebank, near Glasgow, with 260 beds intended for foreign patients in need of acute surgery. It is expected to employ 1,800 people with a further 2,200 "spin-off" jobs.

The Government says the hospital will enhance Scotland's reputation as a centre of medical excellence. Critics say it will draw staff from NHS hospitals and impose an unacceptable burden on the blood transfusion service in Scotland.

Mr Norman Hogg, Labour's health spokesman, said: "This is the wrong decision taken for the wrong reasons timed to coincide with the opening of the Tory conference. The health service and health care in Glasgow and west central Scotland is damaged by this decision. Neither the World Health Organisation nor eminent medical opinion supports this project."

Mr Rifkind said in Edinburgh the new hospital's demand should not significantly affect the health service in Scotland, provided it offered the same pay and conditions to staff.

Another condition would be that the hospital must not exceed the amount of blood it estimates it will need from the blood transfusion service - 2.6 per cent of the Scottish total - without consulting the service and the Government.

Mr Rifkind said: "I believe this is a project of enormous importance to the future of the health service in Scotland. It would provide high-quality employment and act as a 'brain gain' or 'brain retain' project."

Mr John Mackay, Scottish Conservative Party chief executive, said: "There are a number of projects that will bring some 4,000 jobs to an area that desperately needs them. Yet we have seen an absurd, orchestrated, dogmatic opposition to the project. The unions and the left in general."

## Clive Wolman analyses Hill Samuel's decision to sell off Wood Mackenzie

## Second thoughts on a Big Bang buy



John Chiene: "We were planting seeds"

THE DECISION last Friday by Hill Samuel, the merchant bank, and the TSB banking group, its proposed new owner, to sell off Wood Mackenzie, its securities arm, marks the first public admission of the collapse of a rationale behind the pre-Big Bang rush by more than 20 banks into UK stockbroking and market-making.

The decision of Hill Samuel to acquire Wood Mackenzie, fixed at a price of £22m in June 1984, came at the height of one of the City's most remarkable bouts of "me-too" corporate strategic thinking.

In the first few months after July 1983, when Sir Nicholas Goodison, the Stock Exchange chairman, agreed to dismantle the old Stock Exchange cartel, most bankers and stockbrokers emphasised the potential conflicts of interest and other dangers of link-ups.

But the conventional wisdom changed quickly. By early 1984, almost all the main stockbroking and jobbing firms and many of the banks began endorsing the attractions of an integrated operation covering the corporate finance advisory skills, capital-raising experience and capital backing of a bank, the corporate research, advice and securities distribution power of a stockbroker and the trading skills of a market-maker.

Hill Samuel decided to follow what it called the "integrated investment bank solution" by combining the securities activities of the bank and of Wood Mackenzie into a single division, with the bank's research, advice and securities distribution power.

A few of the new firms to have emerged as a result of that strategy, such as R.G. Warburg, had already proved a success. For

most, the benefits of integration have as yet been less than anticipated.

For Hill Samuel, as its chairman Sir Robert Clark dismally admitted on Friday, the strategy was a mistake. Few have developed between Hill Samuel's corporate finance department and Wood Mackenzie, he said.

From now on, the bank would develop its corporate finance department on the model of Lazard Brothers, as a specialist adviser particularly to its traditional clientele of smaller listed companies and without a securities distribution arm.

The failure of Hill Samuel's integration strategy was not the result of the classic post-Big Bang cultural confrontations and slanging matches across trading floors, but rather because the management were too

preoccupied and too cautious to push ahead.

Mr John Chiene, the former senior partner of Wood Mackenzie who became the joint chief executive of Hill Samuel's merchant banking division, takes a more positive view. "We were taking our time about integration and perhaps we should have been rougher and tougher," he said. "But we were planting seeds."

There was, however, widespread relief in August when the Union Bank of Switzerland called off the proposed merger between Phillips and Drew, the City securities firm that it owns, and Wood Mackenzie. The merger, it was feared, would have meant a downgrading of the WM Edinburgh operations and a probable loss of jobs.

But Mr Chiene claims that the firm cannot afford to take the risks of independence or of abandoning market-making. He admits that Hill Samuel was too small and too vulnerable an institution to carry the risks and absorb the possible trading losses from allowing Wood Mackenzie to become a leading market-maker across a wide range of sectors.

"Even our present operation,

which is tightly controlled, can make a loss of up to £500,000 on a single day," he says.

As a result, although it has avoided large losses by its sophisticated system of on-line monitoring of positions, Wood Mackenzie has made little impact in equity market-making, except in a few specialist sectors.

Mr Chiene is seeking a purchaser with wider experience of making markets and an ability to absorb losses. His other requirement is that the firm should provide Wood Mackenzie with a global network of clients to give it more opportunities for both broadening its corporate research internationally and disseminating it more widely.

So far, Wood Mackenzie has been much slower than other leading stockbrokers in building up an overseas presence, although it now has small offices in New York and Tokyo. Its lack of coverage of overseas markets has caused it to slip in the rankings of investment analysts from a leading position in the late 1970s to fourth or fifth now.

Mr Chiene says the constraint was always a lack of capital. The managerial difficulties of setting up a large London office with about 250 staff over the last 14 years also slowed down expansion overseas.

Already Hill Samuel has received several approaches from possible purchasers including some of those who approached Wood Mackenzie last time. Some have even expressed interest in the gilt-edged trading operation, which is threatened with closure after failing to cover its overheads in its first year of operations.

However, other banks that expressed an interest in Wood

Mackenzie when the Phillips and Drew merger fell through in August have withdrawn after taking a closer look at the firm's management.

The criticism of its lack of success in market-making, gifts and overseas dealing, claiming also that the firm has failed to adjust to the short-term concerns of fund managers by not developing a more entrepreneurial sales force to advise them on temporary pricing anomalies and market timing.

The contrary view is also heard, especially among investment managers in Wood Mackenzie's Scottish hinterland. They say it is just the firm's lack of emphasis on market timing and fast-talking salesmen that they value most highly.

Most, however, agree that the firm remains too dependent on Mr Chiene, even though over the last year he has been devoting more of his time to Hill Samuel. Mr Chiene, a loquacious, forceful personality, has had an intensely loyal following within Wood Mackenzie since he transformed it from a small private client Edinburgh firm in the early 1960s to one of the top UK institutional broking firms and developed its lucrative performance measurement and other computer services for investors.

The head of one leading merchant bank which has dropped out of the bidding said on Friday that he felt that Mr Chiene had failed to cultivate any management strength in depth. "The operation is like a beech tree," he said. "Nothing is allowed to grow underneath."

But undoubtedly the beech tree alone is valuable enough to make Wood Mackenzie an attractive proposition.

## Case IH overtakes Massey

BY NICK GARNETT

DOMESTIC AGRICULTURAL tractor sales for the past nine months show how Case IH has overtaken Massey-Ferguson into third place in the market. Ford UK leader for at least 10 years, took 23.8 per cent of the market in the nine months to September, compared with 21.8 per cent for Massey and 18.9 per cent for Case.

The ranking of Massey, traditionally number two, appears to be under pressure also from John Deere, according to Agricultural Engineers Association statistics. Deere took 13.3 per cent of the UK market last year against Massey's 20.1 per cent. However, in the nine months Deere's

share was 15.1 per cent, less than 2 percentage points behind Massey. Massey improved its market share slightly in the third quarter but its sales in the period were marginally exceeded by those of Deere.

Total registrations in the first nine months were 15,634. That is 1.5 per cent lower than for the corresponding period last year but sales have been improving dramatically. In the first four months they were 25 per cent lower than in the corresponding period last year.

Mr Chris Evans, the association's economist, says the trend shows sales will exceed last year's total of 18,631 registrations. This would be the first ex-

pansion of the market for four years.

The farm-machinery industry believes Massey has lost market share because:

● Many dealers are unsettled by recent senior management changes at Massey in the UK. ● The company, at a time of depressed prices, has introduced the 3000 range of tractors, which have sophisticated electronics but are expensive. It says time will be needed for them to establish themselves. ● The 18-month discounting but, on some tractor ranges, Massey says it has not been prepared to discount so heavily, probably costing it sales.

## Ernst &amp; Whinney move into pension consultancy

BY RICHARD WATERS

ERNST & WHINNEY will launch a new division of pension consultancy this week, marking the latest push by accountants for a share of the pensions consultancy market.

The market for advising on pension schemes is worth about £200m a year. Accountants estimate their combined share of this market to be 2 per cent-3 per cent, but expect it to rise.

Ernst, which has 20 people advising on pensions, moved into the field this year when it acquired Shepherd Associates, an insurance broking and pension consultancy.

Other accountancy firms have stronger presences. Coopers & Lybrand, Britain's second largest accountancy firm, has had a pensions division since 1973.

The large accountancy firms are focusing on advising companies, rather than employees, on the implications of the pensions regulations set to come in next year.

The arrival of accountants in the pension consultancy pits them against established actuarial firms and employee benefits consultants, as well as insurance brokers which have diversified heavily into consultancy.

## APPOINTMENTS

## Responsibilities change at Rolls-Royce

At ROLLS-ROYCE Mr Trevor Salt, director - supply, has retired. He has been elected chairman of Rolls-Royce Industries Canada Inc., where he has taken over from Mr Bill Mandy, who will continue to serve on that company's board until the end of the year.

Mr Salt is succeeded as director - supply by Mr Jim Keir, who was director - civil engines. Mr Frank Turner, director of industrial and marine, succeeds Mr Keir. Mr Peter Macfarlane, who is appointed director of corporate development. Supporting him is Mr John Kane, who becomes director of corporate marketing services. Mr David Marshall, who will take up his new post as director of strategic planning on February 1. Joining the team is Mr David Mitchell, who remains director of commercial services.

Mr L. A. Carpenter, who reached retirement age earlier this year, is succeeded as chairman of REED INTERNATIONAL, and will be relinquishing his executive posts in the group at the end of the year. He will remain on the board as a non-executive director and will be succeeded as chairman by Sir Stanley Gristead, who has been a non-executive director since 1981 and recently retired as chairman of Grand Metropolitan.

Mr David J. Cornwell has been appointed managing director of MOLECULAR COMPUTER, Slough. He was sales and marketing director.

Mr Michael Gwinnett has been appointed director of business development for GERRARD ATKINS & CO. He was an assistant director of J. Henry Schroder Wagg & Co, where he was head of finance and administration for Schroder Ventures. Gerard Atkins is a subsidiary of General Atlantic Group, Bermuda.

Mr Ron Ivens has been appointed group managing director of BRITISH ROAD SERVICES GROUP, replacing Mr Geoffrey Pygall who is retiring. He joins from NFC distribution group where he was group managing

director, and remains a member of the National Freight Consortium executive board.

Mr James Jewett has been appointed finance director of CSG HOLDINGS. He was finance director of APT Controls.

Mr H.O. Collingwood has been appointed director of the claims division of E.W. PAYNE INTERNATIONAL. He was director of Carter Wilkes & Fane.

Following the acquisition of Alfred Stewart by Franger Holdings, Mr Chris Thompson, Stewart's managing director, is joining the board of Franger Troughton.

Mr Bobby Llewellyn has joined the main board of JARDINE INSURANCE BROKERS INTERNATIONAL. He becomes chairman of the company's aviation division. He joins from Bain

Clarkson. Mr John Westoby and Mr Jeremy Birrswile join Jardines from Bain Clarkson as directors, and Mr Nick Westoby and Mr Constantine Filavachi as associate directors, all of the aviation division.

GRAND METROPOLITAN has appointed Mr Patrick J. Coppens as president of its operating officer of Inter-Continental Hotels Corporation, New York. He was chief executive officer of Cunniffe International, Geneva, where he has succeeded by Mr Anthony Grant Froggatt from January 1. Mr Froggatt was managing director of Swift & Moore Pty, Australia.

Mr Chris Waite, who has been appointed managing partner of BACON & WOODROW, consulting actuaries. He was commercial director of PPF International, a member of the Unilever group.

## FT LAW REPORTS

## Nominee fails to lift share restrictions

RE GEERS GROSS PLC Court of Appeal (Lord Justice Nourse, Lord Justice Giddewell and Mr Justice Michael Davies): July 24 1987

RESTRICTIONS on shares imposed by a company on a nominee of the nominee shareholder's refusal to disclose the true beneficiaries, will not be lifted on the ground only that the shares are to be sold on the open market.

The Court of Appeal so held when dismissing an appeal by SM Nominees Ltd (SMN) and Guyverbank Bank AG (the bank) from Mr Justice Potts's decision (1987) FTLR 463, refusing to lift restrictions imposed by court order on shares in Geers Gross plc.

Section 212 of the Companies Act 1985 provides: "A public company may require a person whom [it] has reasonable cause to believe...during the three years immediately preceding...to have been interested in shares...to confirm that fact...and (b) to give further information."

Section 218: "(1) Where that person fails to give information required...the company may apply to the court for an order directing that the shares...be subject to the restrictions of Part IV."

Section 456: "(3)...an order directing that the shares shall cease to be subject to the restrictions may be made only if (a) the court is satisfied that the relevant facts...have been disclosed...or (b) the shares are to

be sold and the court...approves that sale."

LORD JUSTICE NOURSE said that SMN held 450,000 ordinary shares in Geers Gross as nominee for the bank.

The bank said the shares were purchased in the ordinary course of its business of portfolio management on the instructions of clients. It declined to disclose the names of its clients, stating that Swiss banking law did not permit it to do so.

Forty thousand of the shares were already the subject of two uncompleted sales. The remaining 410,000 were the subject of a proposal that they should be sold at arm's length on the London stock exchange.

Section 456(3) of the Companies Act 1985 provided that a court order directing that shares should cease to be subject to restrictions might be made if (a) the court was satisfied that the relevant facts about the shares had been disclosed to the company, and that (b) the shares are to be sold and the court...approves that sale."

The relevant facts about the shares had not been disclosed to the company. Paragraph (a) therefore remained unsatisfied. Everything depended on whether (b) was satisfied.

Mr Potts for SMN and the bank submitted that (b) should be satisfied.

He submitted that a demonstration that the shares were to be sold was in itself sufficient reason for lifting the restrictions, there being no other requirement in the sub-section.

That seemed to overlook the requirement that the sale must be approved by the court. The submission was rejected as a matter of language and as a matter of common sense.

The language spoke for itself. A provision requiring approval of a proposed sale and no more must include approval of the fact that a sale was to be made at all.

As to common sense, Mr Potts's construction would deprive paragraph (b) of any real effect. He maintained that all that (b) required was that the shares should be returned to ordinary commerce, and that once the person who declined to disclose the relevant facts had divested himself of the shares there was no further need for the restrictions.

That last point ran contrary to the general policy of Part VI of the 1985 Act, and to the particular provisions of section 212 which enabled the company to serve notice on any person whom it had reasonable cause to believe to be or during the preceding three years to have been interested in its voting shares.

Mr Lightman submitted that the requirement that the shares were to be sold was in itself sufficient reason for lifting the restrictions, there being no other requirement in the sub-section.

That seemed to overlook the requirement that the sale must be approved by the court. The submission was rejected as a matter of language and as a matter of common sense.

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As to common sense, Mr Potts's construction would deprive paragraph (b) of any real effect. He maintained that all that (b) required was that the shares should be returned to ordinary commerce, and that once the person who declined to disclose the relevant facts had divested himself of the shares there was no further need for the restrictions.

That last point ran contrary to the general policy of Part VI of the 1985 Act, and to the particular provisions of section 212 which enabled the company to serve notice on any person whom it had reasonable cause to believe to be or during the preceding three years to have been interested in its voting shares.

It was clear that in deciding whether to approve the fact of sale the court could take into account a failure to disclose the relevant facts about the shares.

cent third parties. Mr Lightman accepted that this was a matter for the court to decide.

The judge pointed out that if the restrictions were lifted, the company would be left with no real lever to prise open the market in which the relevant facts about the shares were hidden. He thought those considerations outweighed the possible prejudice to innocent third parties.

That view of the matter was well within his discretion. There was no ground for the court to interfere. The appeal should be dismissed.

LORD JUSTICE GLIDDEWELL agreed that the clear purpose of Part VI was to give the company, and ultimately the public, a *prima facie* unqualified right to know who owned its voting shares.

If the interpretation which Mr Potts sought to place on section 456(3)(b) were correct that purpose would become more difficult to achieve.

JUSTICE MICHAEL DAVIES, also agreeing, said it was important that the provisions should be effective and that attempts to overcome them should be closely examined. The appeal was dismissed.

For SMN and the bank: Robin Korts QC and Mark Haggard (Slaughdon & Haggard). For Geers: Gavin Lightman QC and Catherine Newman (Francis Charles & Co). By Rachel Davies, Barrister.

**Joint announcement**

**RAND MINES LIMITED**  
(Incorporated in South Africa)  
Registration No. 01/00556/08

**VANSA VANADIUM S.A. LIMITED**  
(Incorporated in South Africa)  
Registration No. 84/11475/06

**Proposed new platinum mine: Rights offer of linked units of shares and unsecured convertible debentures in Barplats Investments Limited**

The directors of Rand Mines Limited and Vansa Vanadium S.A. Limited announced on 10 August 1987, inter alia, that Rhodium Reefs Limited, in which each company held a 50 per cent interest, would:

- proceed with the development of a platinum mine near Steelpoort in the eastern Transvaal; and
- receive funding of its initial development costs to the extent of R52.5 million from Rand Mines, whereas Rand Mines would hold 60 per cent and Vansa 40 per cent of the issued share capital of Rhodium Reefs.

**Barplats Investments Limited**

In order to achieve the most effective long term financial structure, it has been decided to register a financial and investment company namely Barplats Investments Limited, which will own the entire issued share capital of Rhodium Reefs and will hold Rhodium Reefs' capital requirements to bring the mine into production. Initially, Rand Mines will hold 60 per cent and Vansa 40 per cent of Barplats.

**Rights offer by Barplats**

The estimated cost of bringing the mine to the self-financing stage is R330 million in 1987 money terms. In addition to the initial funding of R52.5 million to be provided by Rand Mines, it is intended that Barplats will raise approximately R380 million by way of a rights offer to its shareholders of 1,182,000 linked units at R310 per linked unit, each comprising:

- ten shares of one cent each at a price of R15 per share; and
- eight 8 per cent unsecured convertible debentures of R20 each at par, in Barplats.

Each debenture shall be automatically converted into one fully paid share in Barplats at R20 per share on 31 December 1992.

**Reasons for rights offer**

As a result of its direct shareholding in Barplats, Vansa will be entitled to subscribe for 464,800 linked units, of which it will take up 66. The remaining 494,735 linked units will be redeemed by Vansa to holders of its convertible preference and ordinary shares, as well as its share optionholders, in the ratio of one linked unit for every 100 such shares and options held.

By virtue of its direct shareholding in Barplats, and its holdings of ordinary shares and 'K' share options in Vansa, Rand Mines will be entitled to 887,700 linked units. Rand Mines will subscribe for 663,486 linked units at a cost of R205.7 million. The remaining 224,214 linked units will be redeemed by Rand Mines in favour of its shareholders in the ratio of two linked units for every 100 shares held in Rand Mines. Through its 74.4 per cent shareholding in Rand Mines, Barlow Rand Limited will be entitled to receive the right to subscribe for 168,916 linked units. These linked units will be privately placed with selected employees of the Rand Mines group, of its administered companies and of Barlow, and with selected financial institutions.

**Effects of the remuneration**

After the offer:

- Barplats will have 28,142,491 shares and 9,396,000 convertible debentures in issue; and
- Rand Mines will hold 58.64 per cent and Vansa 24.06 per cent of the issued shares of Barplats.

After the conversion of the debentures in 1992, Rand Mines will hold 68.48 per cent and Vansa 18.04 per cent of the issued shares of Barplats, assuming neither party acquires or disposes of shares in that company in the interim period.

**Application for listing**

Application has been made to The Johannesburg Stock Exchange for a listing in respect of:

- letters of allocation (nil paid) representing 1,182,000 linked units; and, subsequently,
- 28,142,491 fully paid shares and 9,396,000 convertible debentures, which will be traded separately.

**Last date to register**

The offer will be partially renounced by Rand Mines and Vansa in favour of their shareholders and optionholders registered at the close of business on Friday, 23 October 1987. To determine those persons entitled to receive the renounced rights offer, the relevant registers will be closed from 24 October to 1 November 1987, inclusive.

**Circulars to shareholders**

Circulars to shareholders of both Rand Mines and Vansa, which will include the Barplats prospectus and renounceable (nil paid) letters of allocation, are being finalised. These will be posted to shareholders as soon as practicable.

**Registered offices**

**Rand Mines Limited**  
18th Floor  
The Corner House  
65 Ra Street  
Johannesburg 2001  
(PO Box 62370, Marshalltown 2107)

**Vansa Vanadium S.A. Limited**  
1st Floor  
Alex House  
98 Marshall Street  
Johannesburg 2001  
(PO Box 61061, Marshalltown 2107)

**Johannesburg**  
7 October 1987

Member of the Barlow Rand group





## GUESS WHO NICK AND IMMY TURNED TO WHEN THEY NEEDED HELP WITH THEIR PASTA BUSINESS.

Tuck into *Rigatoni* at 'Basta Pasta', and you'll think you're in the Piazza San Marco, not the Piccadilly Plaza Manchester. The place, run by Nick Franchini and Immy Deshmukh, serves some of the best fresh pasta in the North-West.

(OK boys, that's your advertisement over with.)

Today, 'Basta Pasta' is doing quite nicely, grazie, but a few years ago it was just a dingy basement with a second-hand pasta machine.

That was before Nick and Immy wrote to Livewire, a scheme set up by Shell in 1982. Livewire's aim is to help young people create their own work, and over

the years it's given a leg-up to thousands of small businesses, co-operatives and community projects. As it's grown, other sponsors have come in as well.

Although Livewire gives cash prizes for the most enterprising ideas, it also hands out something that's more important than money.

Practical advice. Everyone who joins in is linked up with their own business adviser to help get the project off the ground or grow bigger.

These advisers are professional people who give up some of their time to sort out the nitty-gritty of premises, production, finance and marketing.

If you've a business idea, you're 16-25, and you could do with this sort of help, write to Livewire, Free-post, Newcastle-upon-Tyne, NE1 1BR.

You never know, you might go as far as Nick and Immy. They're taking on the big boys now, planning a second restaurant, bigger and better than the first.

You have to admire their sauce. Especially *Salsa alla Vicentina*, a fresh sage and garlic-butter dressing that's particularly good on *Ravioli*.

**YOU CAN BE SURE OF SHELL**



10  
MANAGEMENT

APPLE COMPUTER must be one of the most written about companies in the world. Since its earliest days as the entrepreneurial venture of a couple of Silicon Valley youths, through its flowering as a multibillion dollar personal computer corporation and, in 1985, its soap opera style management crisis, Apple has always conducted its business in a fish-bowl of publicity, never far from the headlines.

Despite mountains of magazine and newspaper articles and at least a dozen books, Apple remains a source of fascination. The company seems to have some secret charm that intrigues business analysts, confounds competitors and arouses insatiable curiosity throughout a world much broader than its sphere of influence.

Few know the allure of Apple Computer better than John Sculley, the former Pepsi Cola president who abandoned a brilliant career in traditional corporate America to "buy" Apple's dream - "a chance to change the world."

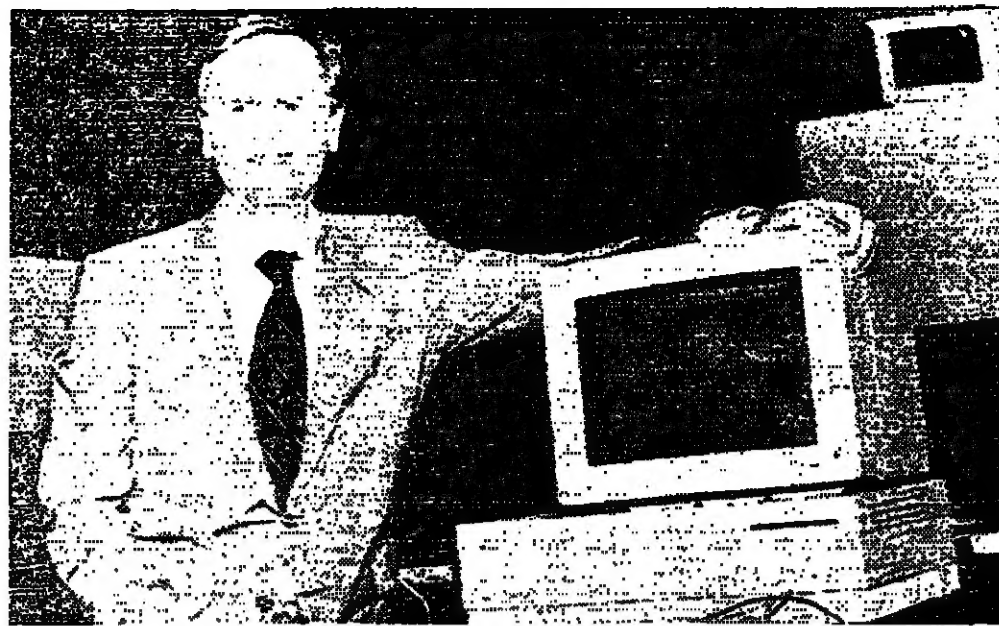
Four and a half years ago, Sculley arrived at Apple amidst a swirl of publicity to become president and chief executive. Much of what was written about me was very far from the mark," Sculley says. "They said I was going to sanitise Apple," he says of those who noted the all too apparent contrast between Apple's youth culture and his traditional business background.

Today, it is clear that nothing could have been further from the truth. Sculley has not only swapped his business suits for the sometimes studied casual dress of his new West Coast home, he has become Apple Computer's chief "visionary", refining a loosely defined dream into a "mission" and expounding Apple's counter culture as a "model for the 21st century corporation."

His transformation, and that of Apple Computer, is the subject of his soon to be published book, "Odyssey: Pepsi to Apple - a journey of adventure, ideas and the future." Written with John A. Byrne, management editor of Business Week magazine, his book is a sell-out even before it reaches most bookstores. Sculley mixes a shockingly intimate view of his personal experiences at Apple with a series of management tutorials to produce a "platform for Apple's gospel." It is a book that succeeds where so many others have failed since it reveals what is really going on at Apple Computer.

"Apple is driven by vision not policy," Sculley states. His company aims to "change the world, to change the way people work, think and learn, with high tech tools. We have an uncompromising passion to make those tools more accessible, more creative."

An intrinsic element of Ap-



Earlier this year, John Sculley launched Macintosh II. It was the failure of its predecessor which led to the rift with the computer's creator, Steve Jobs. "I realised I had created a monster," says Sculley

## Apple's convert finds a missionary zeal

Louise Kehoe reviews John Sculley's revealing book

ple's "vision" is that work should be fun. It is a concept that many in the business world find outrageous, he acknowledges. "But it is important. Despite the sale of millions of personal computers over the past decade, there is no solid evidence of productivity gains, he maintains. "Until you change people's behaviour, the way people work, you are not going to see productivity enhancements," he claims.

Sculley presents Apple Computer as a living laboratory of experiments in corporate management, a company that is living out the vision and, as Apple T-shirts proclaim, "Working 90 hours a week and loving it." I've also discovered a new world where business has less to do with competition and more to do with building markets, where success is measured not by (market) share points but by enlarging the playing field for everyone, thereby making the industry stronger," says Sculley.

This drive to create new businesses and new markets is the essence of Silicon Valley, Sculley's "new world." Widely recognised as a centre of technological innovation, "I hadn't realised (before joining Apple) that it is also a fountain of man-

ageral innovation," Sculley explains.

He contrasts the structured, hierarchical culture of PepsiCo with Apple's free-form, "networked" organisation. "The beauty of a network is that it has no centre. It is a process made of modular groups that establish themselves to take on a specific task... structure has no permanence... there are times when you want to change structures, the network shifts to accommodate the change... Change is a source of strength."

As a newcomer at Apple, Sculley was mesmerised by Apple's co-founder and, at that time, chairman, Steve Jobs. The intense relationship that developed between them was the catalyst to Sculley's metamorphosis as he became entranced with playing the role of mentor to a young "genius."

The "Dynamic Duo" quickly won world acclaim as Apple's sales and profits soared. In those glory days of 1983-84, Sculley liked to say: "Apple has one leader, Steve and me. Nothing could stop us. Not ourselves, not IBM. Not even gravity, it seemed. Not only did we under-

stand each other, Steve and I rejoined in our similar reactions to the world. We could complete each other's sentences because we were on the same wavelength."

But the relationship - and Apple's fortunes - quickly soured. As Apple's plans to establish Steve Jobs' "Macintosh" computer in the business market faltered, Sculley began to recognise that he had made a near fatal error. "I had given Steve greater power than he had ever had and I had created a monster."

Sculley exposes every detail of the episode in which Jobs was ousted from Apple. "Steve pleaded with me... over and over... I searched for a corner of the room to awkwardly disguise my pain... Echoing in my mind was Steve's indictment: 'You're wrong for Apple. I'm the only one who can save the company'... I wept there, wondering how it had come to this."

Apple was on the brink of disaster, its management team torn apart by the rift between Sculley and Jobs and demoralised by the lack of success of the Macintosh. "The vision," as Sculley puts it, had become clouded

by introspection. Jobs' arrogance and Sculley's infatuation came close to destroying the Apple dream.

At the time, Sculley refused to talk. Today, he disarmingly admits his mistakes. Indeed, he sees simple admission as a strength. Other "CEO books" give a false image of corporate leadership, he claims. "The image of the chief executive as a tough, aloof, nearly macho hero is an anachronism in today's world. The new-age leaders will lead not with toughness but with powerful ideas. Yet the new-age leader almost has to show his fallibility. Making mistakes is a very real and important part of succeeding... At Apple, making mistakes is the only way to learn."

But Apple cannot afford to make any major errors in the near future, Sculley admits. He and his company must also take to heart the lessons that their recent crisis taught. Steve Jobs is gone, and Apple has a new visionary leader; the company has gained considerable ground in the business personal computer market and, once again, the world is entranced by Apple's success story.

And yet, as Sculley expounds upon his vision, there is something unnaturally reminiscent of his predecessor in the way he talks: "We want technology to be the source of new tools for creating a new world. The new world we already have created inside Apple where creativity permeates every facet of our work environment, is but one small example."

While Sculley claims that Apple is once again in touch with reality, his passion for Apple's mission comes dangerously close to the introspection that almost destroyed the company two years ago. Sculley himself talks of the similarities between his own personality and that of Steve Jobs. "Sometimes, I felt as if I was watching Steve playing me in a movie," he recalls.

It is difficult for those who have met both men to see the likeness. Sculley is unassuming, genuinely friendly and very impressive. Jobs, in contrast, is a young man who demands attention, who can be incredibly charming and is certainly extremely bright - yet insufferably arrogant.

What they have in common are strong egos. In Jobs, this appears as arrogance. In Sculley, it is a more palatable, yet adamant, certainty that he is at the centre of a movement that will have a profound effect upon the world. Both are passionate believers in the "Apple vision". The question remains whether either of them is right.

*Odyssey: Pepsi to Apple - a journey of adventure, ideas and the future, by John Sculley with John A. Byrne. Published in the US by Harper & Row, \$21.95 (to be published in the UK by Collins early next year)*

## Cast into spiralling decline

A report on the UK foundry industry shows a disturbing lack of recognition of the importance of training. Nick Garnett reports

THOSE WHO thought the recession had shaken up the notorious lethargy displayed for so long by UK manufacturing companies will find a new 250 page report on the British foundry industry sober reading.

Its conclusions are gruesome. For one thing, companies in the industry do not believe they have any real difficulty with training but the report demonstrates that the problem is potentially fatal.

For another, it says that unless action is taken, the performance of the UK foundry sector will start to slide directly as a result of skill shortages. This is an industry which has already proved that its ability to withstand foreign competition is poor.

The report, with the catchy title "The Foundry Industry in the 1990s and Beyond from a Training Point of View" is the result of an initiative from the British Foundry Council.

Some 300 or so foundry companies in the West Midlands and neighbouring counties were visited and interviewed over a 12-month period ending last year. These companies employ 20,000 people and account for a third of the UK's foundry output.

The industry is an important link in the manufacturing chain, producing ferrous and non-ferrous castings for a huge range of items from car engine

blocks and parts of an aircraft fuselage to manhole covers.

One grim statistic stands out in the industry as a whole. Ten years ago foundry companies in the UK employed 130,000, including 6,000 trainees. By last year employment had fallen to 60,000 but training provision had virtually collapsed. Trainees numbered just 750.

"The industry's recruitment and training effort nationally has reduced by 80 per cent over the past ten years," the report says.

A half of the companies employing less than 100 do not train technical personnel at all. Training activity as a whole is short-term and ad hoc, the report argues. "Budgeting, planning and costing of training in real terms in relation to business investment is poor, particularly in small companies."

Deficiencies in training affected every type of job, including those of managers, technicians and craftsmen. The document comments on what could happen to some of the infrastructure of training if this state of affairs continues. "College courses are underutilised and in danger of disappearing," it says.

One curious fact in the report is that companies have all the information at hand as to what their training needs really are but somehow fail to understand what this information is telling

them. For the 300 companies in the study, their own assessments of recruitment requirements over the next five years for replacing employees leaving was for more than 3,800 people. Yet their recruitment plans were for just over 700.

More than a quarter of employees in the companies under study, 44 per cent of managers, and 38 per cent of supervisors are over 50 years of age. "What is particularly worrying is that companies do not seem to recognise the position they are in," says Norman Gledhill, secretary of the council and director of the British Foundry Association. "By the early 1990s we are likely to face a situation where it will be difficult even to deal with the problem."

A number of positive developments have come out of the study. These include a comprehensive guide to training courses suitable for foundry personnel and a computerised information bank on grants available to assist companies seeking financial support for training. A training package on quality has also been produced.

The report, not surprisingly, says the industry must embark on better manpower planning, use college courses far more liberally, and spend the kind of money on training that competitor foundry industries are doing. If not, adds the report, companies are unlikely to remain in business.

## Management abstracts

Job design: approaches, out-comes. By R.L. Coles in *Personnel Journal* (US), Jan 87 (2 pages)

Points to the increasing use of temporary workers, but argues that many companies are not prepared for employing temps; outlines how employers can make the arrangement more productive both from their own point of view and that of the worker; suggests that employers provide agencies with prior information on matters such as the formality or informality of the work setting.

Human resource development. By J. Jensen in *Training & Development* (UK), Jul 87 (2½ pages)

An essay which deplores the historic organisational linkage of training departments to the personnel function, and argues that trainers should be considered as consultants to the business, involved in all stages of strategic planning - with the

outcome the manager wishes to maximise.

Is your business temporary-ready? By R.L. Coles in *Personnel Journal* (US), Jan 87 (2 pages)

Points to the increasing use of temporary workers, but argues that many companies are not prepared for employing temps; outlines how employers can make the arrangement more productive both from their own point of view and that of the worker; suggests that employers provide agencies with prior information on matters such as the formality or informality of the work setting.

Human resource development. By J. Jensen in *Training & Development* (UK), Jul 87 (2½ pages)

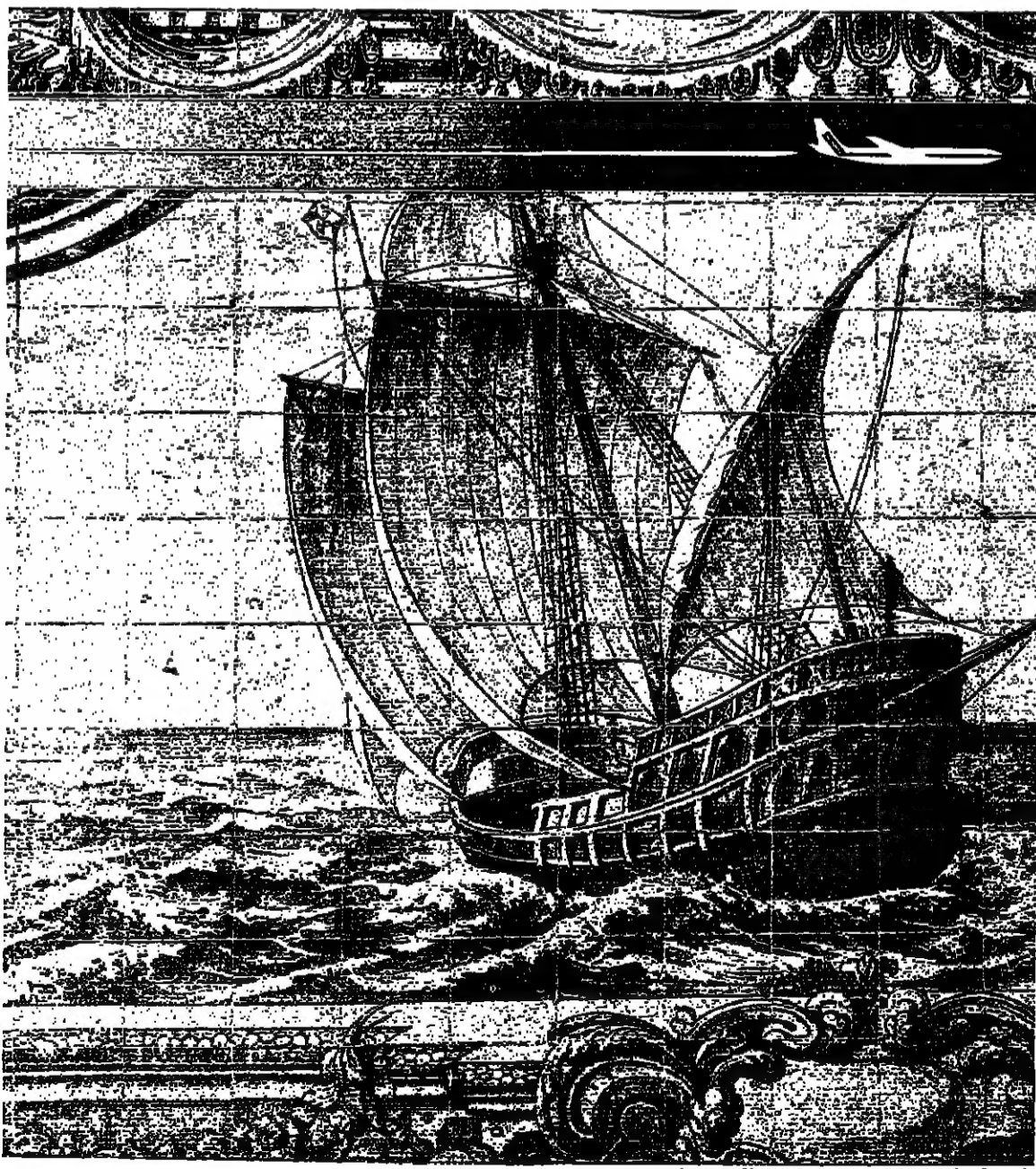
An essay which deplores the historic organisational linkage of training departments to the personnel function, and argues that trainers should be considered as consultants to the business, involved in all stages of strategic planning - with the

proviso that they must deliver the goods. Along the way, offers thoughts on the necessary background of personnel directors (ideally from the training function), and the need for trainers to cast aside the "teaching" image.

Distance learning - the key to change. By F. Jone in *Transition* (UK), Jul 87 (2 pages)

Briefly describes how Thorn Security has adopted distance learning for training and re-training in order to keep up with changing technology. The courses (12 modules are available, from basic electronics to advanced digital electronics) are run in association with Slough Technical College, and company training officers act as mentors for students.

These abstracts are condensed from the abstracting journals published by Andrew Management Publications. Licensed copies of the abstracts may be obtained at a cost of £1 each (including VAT and p+p, cash with order) from Andrew, PO Box 23, Wokingham RG40 3DA



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Dividend declared in South Africa  
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Currency of 2 October, 1987 at  
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3.48455  
United Kingdom Income Tax at 12%  
(less credit on the gross amount  
of the dividend)  
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Net amount  
2.99260

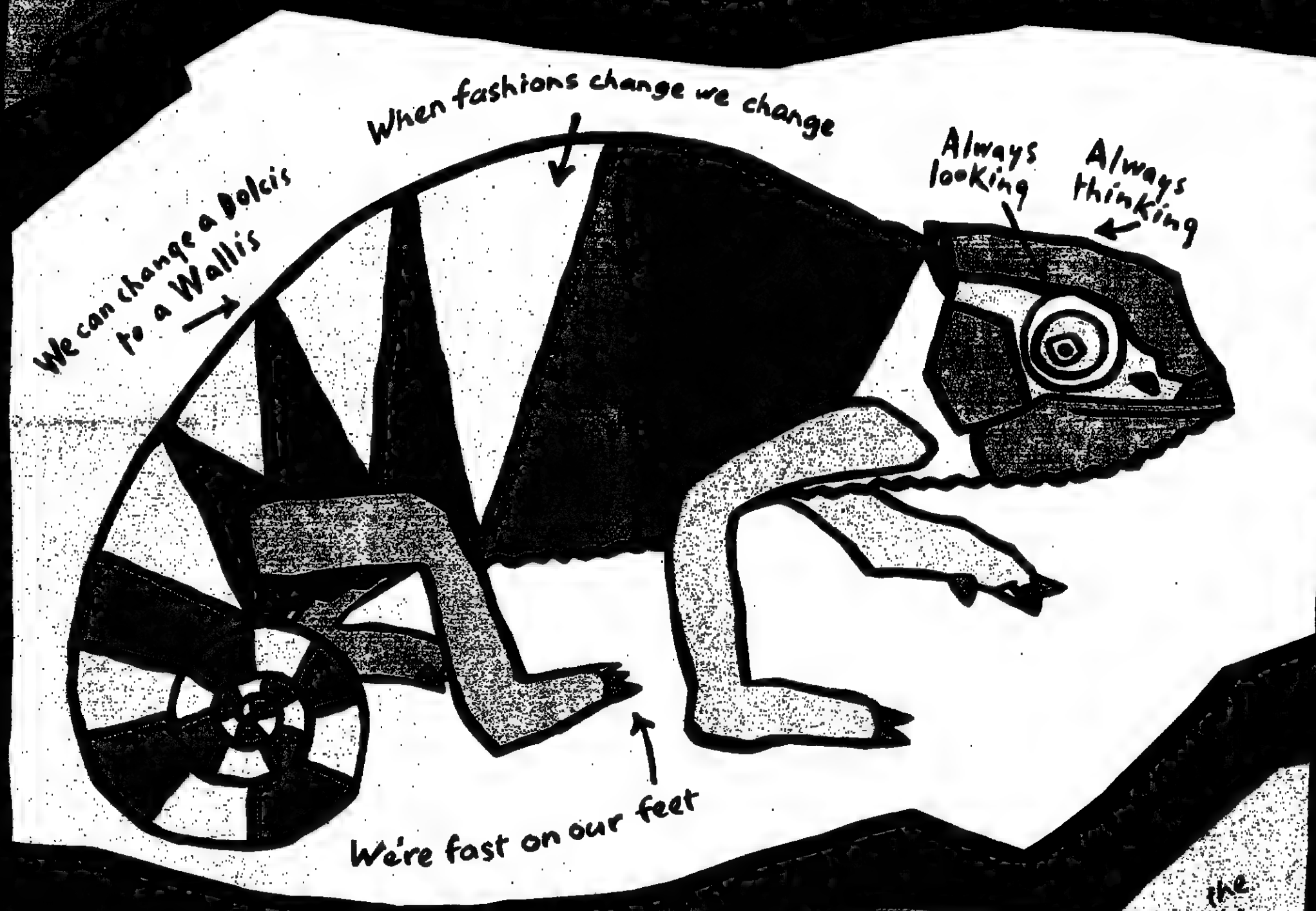
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## INTL. COMPANIES & FINANCE

Nick Garnett reports on a Far Eastern thrust into Europe

### Japan's machine tool bridgeheads

JAPAN'S MACHINE tool manufacturers have started to make real headway in establishing production bridgeheads in Europe, their second biggest export market after the US.

Within the past year, six Japanese machine builders have either begun assembly operations, given notice that they intend to do so, or have significantly increased their existing shareholdings in indigenous European machine tool companies.

Cecimo, the European committee for machine tool makers, has privately expressed some unease at this development. As yet though, most of these Japanese-owned sites are still in the early stages of production.

The Japanese move, which involves some of the biggest names in machine tool building, has been encouraged by the damage inflicted on their sales and profits in Japan itself by the rising external value of the yen. Only two of the country's 10 largest machine tool builders are believed to be making money.

Japanese companies have about 10 per cent of European machine tool sales but in machining centres and lathes, the mass-produced machines in which they specialise, their penetration is well over 20 per cent. However even for these machines, Japanese sales have fallen in most European markets this year.

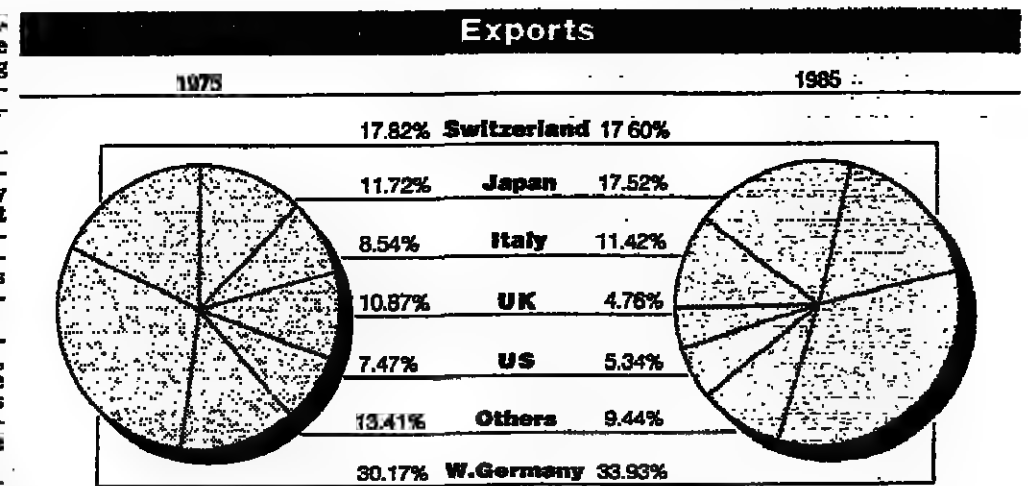
Imports from Japan to Europe are constrained by a five year-old voluntary agreement but it is the yen rate rather than this arrangement which has been hurting their market penetration.

The Japanese decision to extend production operations in Europe, however, does appear to be influenced by the voluntary restraint arrangements agreed with the US government. Japanese manufacturers have so far concentrated on setting up production bases in the US. But European production sites would give the Japanese added supply flexibility when taking account of currency movements.

Last year, Japanese machine tool shipments to North America were worth ¥144.8bn (\$980m) - more than a third of their industry's total exports as against ¥77.8bn to Western Europe.

Four developments have taken place this year in France where the recession at the start of the decade inflicted tremendous damage on the country's machine tool sector.

Amada has purchased the financially-troubled Fromecan



Sisson-Lehman at Chateau-du-Loir. The Japanese company intends to make presses and shearing equipment there and says it will inject around FF50m (\$8.1m) into the operation. It has also indicated that this plant will export to the US.

Mori Seiki, one of Japan's biggest machine tool companies making machining centres and lathes is discussing with the French Government the possibility of setting up a production facility, probably near Paris. The company already has a production agreement with Caze-neuve, a French machine builder.

Mitsui Seiki, a much smaller company, is already building a facility at Bonneuil, near Paris, to make machining centres and has also indicated that it will export to the US from France.

Meanwhile, Toyota, the machine tool arm of the Toyota group, increased its stake in Renault-Toyota from 50 per cent to 58 per cent. Schneider, the electrical group holds 25 per cent, and Sofrind, the state-owned machine tool group the remaining shares.

Toyota began its co-operation agreement with what was then the struggling Renault-Somua group in the early 1980's and has been extending its influence since then at the company's two production sites at Cholet, near Nantes, and Montargis, on the outskirts of Paris.

Mr Xavier Castelli, Renault's sales director, says production this year is running so far at the rate of 12 lathes and seven machining centres a month.

One of Renault's principal competitors is Yamazaki which, so far, has been the principal investor in production plant in

Europe. Its facility in Worcester, England came on stream at the beginning of this year producing lathes and machining centres.

This plant is large and well-equipped with flexible manufacturing systems. To begin with, local component content of machines will not be high. The plant involves £35m (\$56.7m) worth of investment, according to Yamazaki, of which £5.2m was provided through British Government assistance.

The Worcester site could produce up to 1,200 small machines a year but the mix of machines will mean that its unit output will be much lower than this. Mr Teruyuki Yamazaki, the company's president, said this year that 80 per cent of Worcester output would be exported, mainly to mainland Europe, but that the plant will probably also re-export machines back to Japan.

In West Germany, Makino has had for some years a half share in Heidenreich and Harbeck, the other half being controlled by Gildemeister, the big West German group specialising in turning machines. This year Makino increased its stake to 66 per cent.

Heidenreich manufactures Makino-designed machining centres with almost all components, except the controls, made in West Germany. These machines are at the more expensive, high precision end of the market.

Japanese manufacturers have had a production presence in Europe for a long time through exporting machine tools to European builders. This has been common in the UK, with T1 taking Takasawa machines, for example, and Folland buying Mit-

subishi machines, on which the British company adds a lot of systems engineering.

In some cases, for example in the relationship between Yasuda and Bridgeport, the Japanese-designed machines are made up almost entirely from EC components.

These new Japanese production facilities, however will increase the strain on an already crowded market which includes a range of European-owned producers. Some of these are large, such as Decker and Maho of West Germany, which make milling machines and machining centres, Mandelli in Italy and Gildemeister itself.

European manufacturers are continuing to reposition themselves. This year, Maho unexpectedly purchased Graziano, a lathe maker based at Tortona, Italy. At the same time, Gildemeister bought a share of Sonin, a maker of small inclined bed lathes with a high penetration of the French automotive and aerospace industries. Neither acquisition appears to be directly linked to the activities of Japanese machine tool manufacturers.

The Japanese machine tool industry's plans to build up production in Europe are still modest compared to its stake in the US. Japanese manufacturers targeted the US market at the turn of the decade and wreaked havoc among North American machine tool companies, eventually taking 66 per cent of sales for machining centres and lathes.

A possible sign of the times, however, is that Miyano, whose North American facility is near Chicago, said recently that it would set up an assembly site in Europe if it felt that would do it some good.

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# The Defending Champion

**I**an MacBean's new company began life with £2 billion of sales, some of Britain's top technology and world trade, which as he tells **Robert Heller** includes UK exports that boomed to £600 million – from “almost zero.”

**N**OT often is a new company born with £2 billion of sales, “as near as makes no difference.” The words come from Ian MacBean, who recently put the finishing touches on GEC-Marconi – a reorganised giant which brings nearly all the General Electric Company's defence business into one group that is crammed with some of Britain's most advanced technology. Four-fifths of the new grouping's sales are defence-related. Half of the UK output now goes into a world market where, in the mid-seventies, GEC's presence, says GEC-Marconi's managing director, was negligible.

Dr MacBean, now 55, has been working in GEC, and in defence, for the past 30 years, all of them based at Stanmore: “either I'm very lucky or I'm stuck in the mud.” Those three decades, though, have seen prodigious upheaval, both in the defence market and in GEC's defence business. The two changes are closely related. Today the customers – whether they are the Ministry of Defence, the Pentagon or another foreign Government – “don't ask for a radar or a torpedo. They specify a whole operational system.”

GEC-Marconi supplies the communications payload for all SkyNet military satellites.

MacBean says that his own job “with my very small staff is to see that the customer's requirements are met” by coordinating his sixteen operating companies each, in classic GEC fashion, a separate business with its “own set-up and managing director,” responsible for all functions – financial control, marketing, research and development, the lot. The business, as MacBean says, “has always been based on having the best technology available.” That's now costing around £450 million a year; 80% of that is provided by the customer, “a very substantial help,” as MacBean drily observes – but a good deal less substantial than the 95% of the past.

“Long-term that will not impact profits if we produce good products that sell.” In other words, the similarities between GEC's defence business and its civil work have greatly increased – indeed, “we are concentrating on expanding civil sales” (currently some 20% of the business). The “technology which defence gives us” is by definition in the scientific vanguard, and MacBean's company will either use it “where we know the markets or supply it to other parts of GEC.”

**D**ESPITE MacBean's involvement in defence ever since starting his career at Stanmore (as a development engineer in microwave systems), his first major step in 1964 was a move towards civil work. He was asked to set up GEC's first entry into satellite communications; as a divisional manager with a staff of one – himself.

MacBean helped build the business from “the ground floor up” towards the stars. The company



Dr. MacBean, Managing Director of GEC-Marconi Limited.

Photography by Terry O'Neill

built all the equipment for Britain's first satellite ground station at Goonhilly in what became an “on-going and fairly flourishing business. But it never quite took off the way our early pipe-dreams imagined.”

That is an occupational hazard of high technology, and MacBean has had plenty of consolations – as in the remarkable tale of “one of my first loves.” In 1969, GEC had only a trivial involvement with torpedoes – indeed, “there wasn't a UK torpedo industry.”

GEC was doing “very low-level experimental work” at Stanmore. But with the government's programme in grave and obvious difficulties, MacBean “set down with my boss” and started to “wonder if there is a business in torpedoes.” What started with four engineers going down to the Admiralty establishment in Portland had become by 1982 (“after many gyrations, much hassle”) a business turning over some £200 million.

**G**EC-Marconi is now Britain's main supplier of torpedoes. MacBean has a particular reason for citing its Stingray programme. At the end of the Seventies, Stingray was not making progress, and “we were impotent to do anything about it.” The management set down with the Navy and after prolonged negotiation arrived at “a firm agreement, management control and a fixed price.” The result was a weapon “highly satisfactory in operation” and “one of the most successful procurement programmes ever undertaken.”

MacBean sums up: “we did a sound job and made reasonable money” – even though in 1978 Stingray was “in a similar position to Nimrod. It was late, over-cost and beset with technical difficulties.”

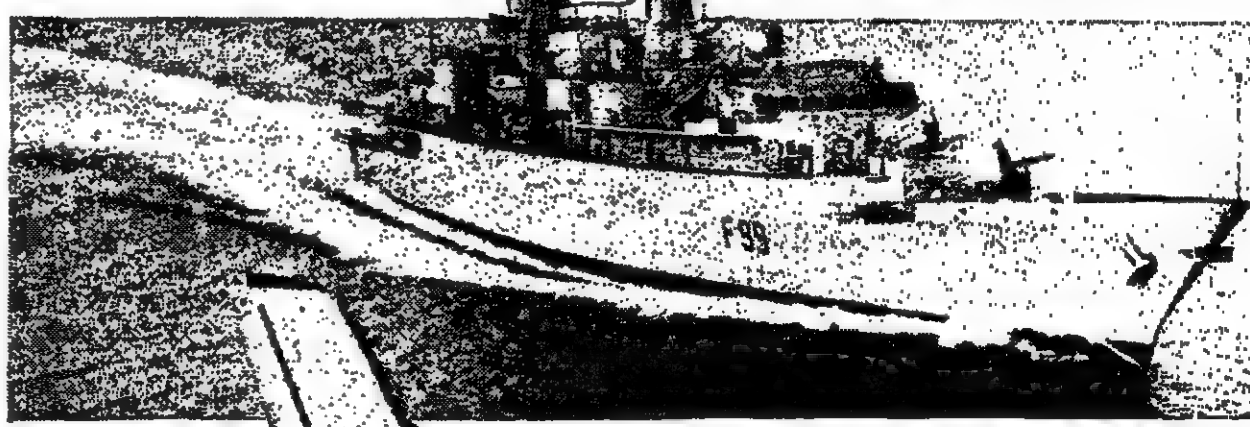
MacBean's analogy with the torpedo saga is self-evident: GEC should have insisted on taking full charge of Nimrod in the same way. In future, “the large programme in which our degree of management control is very limited will not be repeated. We won't go willingly down that path.”

That vital lesson apart, Nimrod is “no longer an issue as far as we are concerned. It is a thing of the past. We are pursuing the remainder of the business in a very successful way.” In this pursuit, MacBean concentrates on looking after the management and motivation: “My job is to give maximum freedom,

but hopefully to guide the whole thing.” Although MacBean is a technologist, and “defence is as near to technology-push business as GEC gets,” his involvement is far less with the technology (which has left him “far behind,” despite his PhD) than with the new business opportunities – for main example, abroad.

**“The biggest supplier of HUD's in the world.”**

In working up from the “almost zero exports” of 1975, “we've had to learn how to market on a world-wide basis.” There is clear evidence that the learning has been effective from the United States, where GEC has used every available route to become one of the top 100 suppliers to the Department of Defence. That adds up to \$200 million a year and to a very



GEC-Marconi fits the Tornado with Skyshadow, Electronic Support Measures, Skyflash missile guidance, the Foxhunter radar and 15 other systems.



the mark as to be ludicrous.” The remit from Lord Weinstock, as MacBean himself describes it, suits him fine: “There's your business, you're the managing director, please perform and run the business as you think best. I will not interfere so long as it is successful, or unless I have something positive to suggest.”

**T**HAT leaves MacBean in control of activities which cover a most extraordinary range, both in technologies (from the heaviest engineering hardware, building the hull of a destroyer at Yarrow, to the most sophisticated software controlling defence systems) and in all environments (from the sea-bed to 22,000 miles above the earth). MacBean is very clear about what his new set-up will create from this extreme diversity: “customer and public perception of how powerful GEC-Marconi is, and what potential it has – especially round the world.”

Robert Heller is Editor-in-Chief of Finance Magazine.

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14  
TECHNOLOGYMaking  
production  
costs count

By Alan Cane

COMPANIES in the north-west of England are being asked to help solve one of the most pressing problems in modern industry - how to develop cost management practices appropriate to the new manufacturing systems now being introduced.

Price Waterhouse, the management consultancy, is today sending a specially designed questionnaire to some 400 manufacturing companies in the north-west.

The aim is to establish whether cost management systems used in the region have kept pace with developments in manufacturing technology such as materials requirements planning (MRP II) and the Just-In-Time inventory philosophy.

According to the survey's authors, Roy Davies and Norman Molyneux of Price Waterhouse, existing cost management methods are frequently irrelevant to modern technology and provide misleading information for managers which hinders effective decision making.

Today's systems are still heavily biased towards the labour content in finished goods and make no allowance for the improved quality and reliability of goods manufactured using the new methods. In one example studied by Price Waterhouse in the UK, the cost management system recorded only direct labour although that represented less than 10 per cent of the total cost.

The problem is well known in the US where consultants from Price Waterhouse and its competitors have been trying to develop new cost management methods which give proper weight to the new techniques.

Molyneux says, however, that although the problem has been well defined, nobody has yet produced an effective answer.

The UK study has two phases. In the first, companies completing the confidential questionnaire will have their systems evaluated individually by Price Waterhouse cost management specialists.

The second phase consists of a half-day workshop to be held later in November when the overall results of the survey will be presented together with an analysis drawing on US and Japanese experiences.

More details and the questionnaire can be obtained from Roy Davies or Norman Molyneux on Manchester (061) 238 6541.

**T**HE TURBOCHARGER, that seemingly simple way of using exhaust gas to gain extra "something-for-nothing" power for cars and trucks, is itself accelerating towards much greater complexity.

The next generation, according to Garrett Automotive, which currently makes about half the world's turbochargers for cars and lorries, will be electronically-controlled - just one more parameter to be manipulated by the computerised management system of the "intelligent" vehicle of the 1990s.

"Not only will its last vestiges of turbo 'lag' become a thing of the past," says Paul Craig, vice-president, business development and planning, "electronic management of maximum boost pressure, and the nozzle diameter through which exhaust gas reaches the turbo, should be able to give as much torque as the transmission can accommodate. And at almost any engine revolutions per minute."

The speed of exhaust gas flow past the rotor will be controlled by computerised adjustment of multiple vanes, almost irrespective of engine rpm (revolutions per minute).

Turbos essentially comprise a housing containing a shaft with a rotor at each end - one in the exhaust stream the other in the air/fuel intake stream. The faster the exhaust gas-driven rotor is turned, the more the fuel/air mixture is compressed before entering the combustion chamber. The result is much more power and torque dependent on throttle opening.

The turbo "lag" criticised so much in the past by the motorist Press arises from the inertia of the rotor producing, in early turbocharged cars, an agonising delay between the throttle being depressed and power becoming available.

Tests of electronically-controlled turbos, originally developed by Garrett Aerospace for commercial aircraft gas turbines, are already under way with some customers, says Craig.

The electronics aspect is in addition to other performance-improving factors like the use of ceramic rotors, much lighter than ones made of metal, he adds.

At the Frankfurt motor show last month, Garrett, a subsidiary of Allied Signal of the US, launched a new turbo for small engines. This was indicative of the technology leap that has already taken place in the automotive sector since Garrett introduced its T3 turbo in 1979. The T3, which became one of the world's most popular turbos, had peak revolutions of 130,000 rpm. The just-launched T15 has a ceiling rotational speed of 230,000 rpm.

Despite the technology drive, however, Craig makes clear that Garrett is taking a pragmatic view of the turbo market. He dismisses, for example, all notions that the extra power and torque made available by the turbo will mean virtually all cars engines being turbocharged, thus making it possible to have smaller, lighter engines with no loss of performance.

In the petrol sector, he suggests, "a turbo vehicle will be mainly a performance vehicle."

Turbocharging is particularly valuable for making good the relative performance deficiencies of a diesel car. But "looking

**John Griffiths** examines the way in which the most popular route to boosting engine performance is moving towards incorporation in the "intelligent" car of the 1990s

Turbo development  
changes up a gear

part the year 2000, I still don't see penetration for turbos in diesel cars above 50 per cent and above 10-15 per cent for petrol cars." About 6 per cent of cars are currently turbocharged.

Garrett is also developing superchargers, for no other reason, says Craig, than that

Bulletproof designs  
with water-cooling

vehicle manufacturers might prefer them for some specific applications. "But we see only a small, complementary role for them - they tend to be inefficient, bulky and noisy."

Meanwhile, experience accumulating since Saab of Sweden pioneered road-going turbos in the late 1970s is throwing up some fairly disturbing data on turbo longevity, claims Craig. The problem of premature failure rates turning out to be higher than expected, is not intrinsic to the turbo but to the manner in which it is used.

Owners failing to change engine oil or filters at the right time, or use of mediocre quality oils, can prove seriously damag-



Latest addition to Garrett's Century series of turbochargers, the T-250 is part of an integrated family of designs aimed at improving applications flexibility

ing. It is not hard to see why. Prolonged motorway driving, for example, is bound to generate a great deal of heat in the exhaust system and the turbo unit.

If the car is driven, say, into a service area and immediately switched off, the intense heat within the turbo can actually drive off the liquid content of the oil on the turbo bearing, leaving instead a microscopic layer of solid deposits. Thus when the engine is re-started, and particularly if the throttle is blipped, the turbo rotor could briefly be turning at very high speed with its bearing dry and subject to severely excessive wear.

Given the number of drivers unlikely to take the obvious course of allowing the engine to idle for a minute or so to dissipate turbo heat before switching off, Garrett has now decided to "bulletproof" all its turbos via water-cooling, says Craig.

This is despite the much magnified casting difficulties involved in not only meeting demand for turbos to be made smaller, but also surrounding the oil ducts with cooling water channels.

The means adopted by Garrett for dealing with high localised heat after high-performance use is ingenious: in the absence of pumped water circulation after switch-off, a valve and small expansion tank in the immediate vicinity of the turbo rotor are brought into play. The "local" water, understandably, boils instantly after switch-off, the steam forcing open a one-way valve to be ejected into the expansion tank (where it is cooled and returned as water to

Joint ventures with  
Japan are "firmly out"

the main system). Fresh water rushes in to fill the vacuum, boils, is ejected as steam - and so on until the turbo unit is adequately cooled.

Such designs, however, have been made possible only by the advent of computer-aided design and flexible manufacturing systems.

"For example, five years ago developing a turbocharger would take 18 weeks from demand to test evaluation. Now it's three weeks, with any further modifications to the basic design taking 48-72 hours," says Craig. Machine tooling is created simultaneously with the final design.

Putting in such systems is necessary because vehicle makers are becoming increasingly reliant on suppliers to undertake design and development. Component makers who do not respond are going to die, says Craig. Garrett has already designed and developed for Ford an integrated manifold/turbo unit.

Currently, Garrett is in the final stages of a £10m investment in new technology and expanded production at its UK plant at Skelmersdale. This produced its 2 millionth turbo last year.

The European market, says Craig, "has become very strong and aggressive, and we're investing where the markets are." To date that investment in Europe totals \$62m and includes a second production plant in France.

Japan has not been left out. Garrett, which claims a 25 per cent share of the Japanese car turbo market, opened a turbo manufacturing plant there last year to supplant imports. Already, says Craig, "we are as close as anyone in Japan to being viewed as a Japanese supplier."

Garrett has Japanese turbo manufacturing rivals, like IHI, and Craig readily acknowledges "they are going to get market share - but it won't be overwhelming."

Turbocharging, or more properly, charge-air induction technology, led by Garrett, claims Craig, "that I don't really see being thrown away."

"We've got 50 per cent of world markets and the Japanese plant will provide us with a springboard into the Far East."

But joint ventures with the Japanese, and what that might entail in technology transfer are, he indicates, firmly out.

Security focus on  
night-time intruders

**HIGH LEVELS** of security are possible with television cameras from Henderson Security Electronics of High Wycombe in the UK.

These devices can be set virtually in the dark - certainly below the level of starlight. Intruders can thus be observed without them knowing it.

The cameras use charge-coupled devices (CCDs) to sense the images, assisted by image intensifier tubes which take the tiny amounts of light from the camera lenses and amplify them to levels that the CCDs can register.

It is claimed that the system, designated VCS90, can operate at lower light levels than any other surveillance cameras and gives clearer pictures.

Smart moves within  
EFTPOS confusion

**A REPORT** from Post News, the UK market research company, says that the EFTPOS (electronic funds transfer at point of sale) market is taking so many directions in different parts of the world that there is a real danger of the equipment involved ever being made in sufficient volume for prices to become attractively low.

It is claimed that the system, designated VCS90, can operate at lower light levels than any other surveillance cameras and gives clearer pictures.

EFTPOS allows a shopper to insert a card in a terminal, key in a personal number and have his or her bank account immediately debited. But according to Brown, there are no signs of the unified worldwide system that one day must emerge if EFTPOS cards are to be used freely and easily everywhere.

The 262-page, £149 report, Electronic Banking 1, focuses on the smart card and points out that France is no longer the only industry country.

There are a dozen systems in use in the US with 30,000 terminals, and half of Norway's banks favour the use of smart cards. There is also growing use in Japan, where 135m such cards are likely to be in use by the early 1990s.

The Japanese Electronic Machinery Association predicts that, with sales volumes probably reaching US\$25bn, smart card equipment will take a 17 per cent share of Japan's total industrial electronics market by 1995.

With sales at this level, says Brown, costs will fall to a fraction of present values, giving smart cards "an overwhelming advantage" over the magnetic stripe variety to which the UK banks are currently wedded for EFTPOS and other functions.

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**HP**

Edited by Geoffrey Charlish

HP chases wider  
terminal market

**FOR THE FIRST** time, Hewlett-Packard, the US-based computer company, has introduced terminals which are designed for use with other manufacturers' computers. Previously, HP terminals have only worked with HP systems.

The new HP 100 machines are competitively priced. For example, the IBM compatible unit costs \$590 in the UK. The terminals have 14-inch screens, produce crisp pictures and are available in green or amber.

CONTACTS: Henderson Security, UK, 0494 46011; Post-News, UK, 0256 58133; Hewlett-Packard, UK office, 0256 58133; Hewlett-Packard, UK office, 0794 986622.

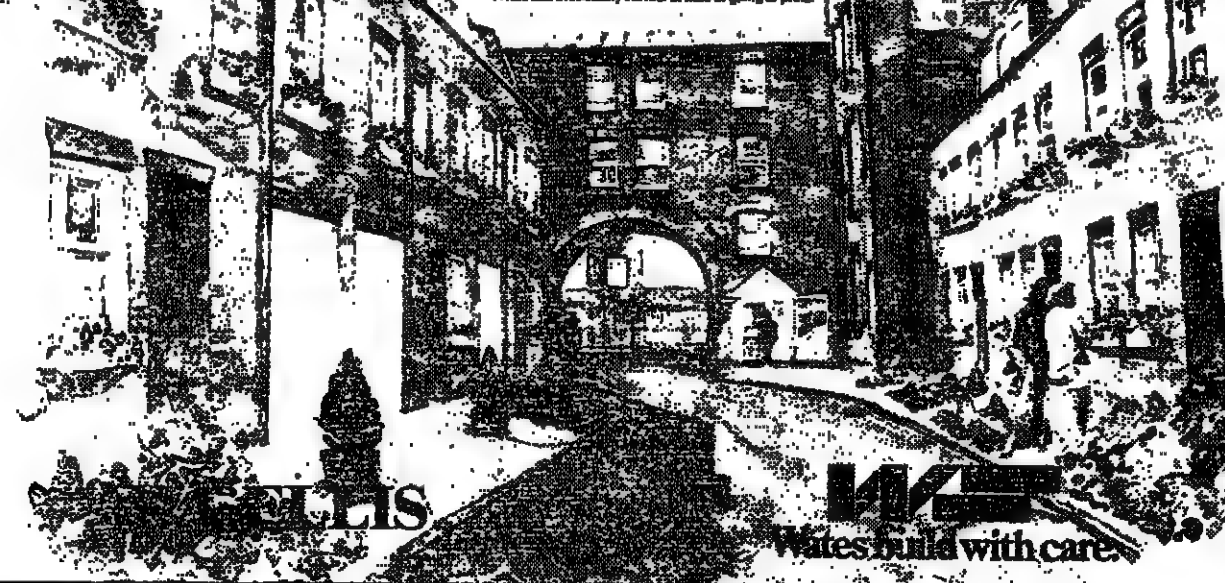
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## Company Notices

**MINERALS AND RESOURCES CORPORATION LIMITED**

(Registered in Bermuda)

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

CORPORATE RECONSTRUCTION INVOLVING A TRANSFER OF DOMICILE TO LUXEMBOURG

Holders of share warrants to bearer are advised that a circular has been posted to

registered shareholders of the Corporation giving details of a corporate reconstruction

involving a transfer of domicile to Luxembourg under a Scheme of Arrangement. As

part of the reconstruction it is proposed that an existing Luxembourg subsidiary, to be

named "Minerals", will become the holding company for the group in place of the

Corporation.

Under the Scheme of Arrangement and as a result of the reconstruction of the Corporation,

ordinary shareholders will receive one ordinary share in the subsidiary in substitution for

each existing ordinary share in the Corporation held prior to the implementation of the

Scheme. In effect the financial position of the subsidiary will, following the Scheme, be

identical to that of the Corporation.

Copies of the circular to shareholders giving further details of the reconstruction and the

Scheme of Arrangement, including the proposed provisions relating to the exchange of share

warrants to bearer of the Corporation for these in the proposed new holding company, are

being sent to holders of share warrants to bearer to enable them to attend or vote at a

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## THE ARTS

## Television/Christopher Dunkley

## Taste of autumn to come

Summer holidays are over. The festival season is over. Soon the clocks will go back, the rain will come down, and the average number of hours devoted to television viewing each week, which has remained at 22 throughout the summer, will rise to 27. The autumn season is upon us, supposedly the best of the year for television, and new series are popping up all over the schedules.

Let us start with the good news. BBC's *Polanski* is that rare phenomenon, a successful comedy thriller. The first reaction on discovering that the central characters are a male/female detective duo and that the tone is "wacky" (as the Americans will insist upon saying, unless they have learned the phrase "off the wall") is that we are indeed here with an attempt to produce a British version of *Moonlighting*.

But it quickly becomes clear that there is more to *Polanski* than that. The central character is not really a detective but the actor Larry Summers who plays a detective in an awful mid-Atlantic series called "Polanski" obviously modelled on *Dempsey and Makepeace*.

Summers is a boozey American show-off whose English actress wife plays his sidekick in the series. Her comic background provides a nice contrast to Summers' American brashness.

The strength of the series is that it is written by Ray Clarke, author of *Lost Of The Summer Wine*, who has a fine ear for authentic dialogue. Film technicians do, indeed, say things like "I've felt dreary all day, I had the squid last night. Did you have the squid last night?"

The chief doubt is whether the central ideas can be sustained: Summers carrying his *Polanski* persona into real life, and the continual technical trick of fooling us into thinking we are watching Summers do something quite crazy, only later allowing us to realise we are watching him perform as *Polanski*. Let's hope Clarke does keep it up because the opening episode was funnier than any of this season's new half-hour sitcoms.

It is arguable whether *Blackadder The Third* can really be called "new". The original series was set in the reign of Richard I, the next series in the reign of Elizabeth I, and now we are into the Regency period. Since all three have starred Rowan Atkinson as the boisterous and sly footnote to history it might be assumed that the form a unified work just as much as the different batches of *Fawlty Towers*, say, or *Dad's Army*.

That would be wrong, however. The original *Blackadder* never fulfilled its promise. *Blackadder II* was hilarious, but now with *Blackadder The Third* we are back on weaker ground. Script writers Richard Curtis and Paul Epton are still bestowing a wonderful line in contempt upon the Atkinson character ("Either I think up a plan or tomorrow we meet our maker: in my case God, in your case God knows, but he can't have won any design awards") but in this new series there are no supporting characters to match Percy, the Queen, and Nobby, and this is a considerable loss.

The series is not as much of a come-down for Atkinson, however, as *The New Statesman* (ITV) is for another of the new generation of comedians, Rick Mayall. The career of a smug, grasping, wholly unscrupulous Thatcherite MP might have seemed like ripe material for a sitcom, but this series serves mainly to make you wonder whether Mayall should not, after all, have stuck to the adolescent obsessions of pimples, willies and bottoms with which he endeavoured to win laughs previously.

The most mystifyingly successful new comedy, though not a sitcom, is *The Dams Eliza*, Experience, also on ITV. This is not a chat show but an anti chat show, with all the conventions being sent up. People occasionally tripped down the stairs, right on steps at the Parkinson show. Barry Humphries has a vast staircase down which his guests have to traipse—or, in the case of Charlton Heston this week (in a

wheelchair) fall. Heston then took no further part in the show.

Once onto the set, guests are given huge lapel badges (two for Miss Gabor, each one saying "Zsa") and then systematically insulted by "Dame Edna". The mystery is why people such as Germaine Greer, Nana Mouskouri and so on, co-operate so willingly in their own ridicule. Either they do not realise what is going on, which hardly seems credible when the remarks are as pointed as this week's concerning Germaine Greer's frightful dress; or they understand what is happening but think wrongly that they can get the better of Humphries; or they fully understand the consequences but are too vain to refuse any chance to appear on the box. Whatever the reason, Humphries has carried the show to its logical extreme: the hosts is now unquestionably the centre of attention and the guests mere grist to his mill.

On the factual side I have not so far seen anything which would mark this season out from any other, though I have not yet started watching Bryan Magee's BBC2 series about *Great Philosophers* for which I have high hopes, and to which we shall return.

Channel 4's series on the American civil war, *The Divided Union*, is a model of conventional documentary programme-making which, however, threatens to tell me more about the topic than I really need to know. You may have to be American to want to spend five hours with the subject.

It is an odd thing to have to say but Peter Ustinov's Russia on BBC2 varies in its attractiveness in inverse proportion to the time spent on screen by Mr Ustinov. The information had to convey in voice-over last week about Lithuania's place in history was fascinating, but the sequence on child basketball players, with Ustinov himself seen from different camera angles, was tedious. Similarly, the facts about Napoleon, Tolstoy and Russia were compelling but the "interview" between Ustinov and Tsar Alexander I



David Andrews as Larry Summers in "Polanski"

was indulgent. Kenneth Griffith does this sort of thing rather better, playing all the parts. Perhaps Mr Ustinov should be invited to participate in *The Dams Eliza Experience*.

The best documentaries so far have both been in the arts sector. Tony Farrow's *Colours*, opening a new season of *The South Bank Show*, and *Buster Keaton—A Hard Act To Follow* which has sustained the superb quality of all Brownlow and Gill's work so far on Hollywood. Part 2 of the Keaton series is on ITV tonight, with *The General* to follow on Channel 4; another in the wonderful series of great silent movies revisited by Brownlow and Gill for Thames TV.

Of course the autumn season is hardly into its stride yet, and there is much more still to come. In mid-October Channel 4 will screen Claude Lanzmann's highly praised nine-hour documentary about the Holocaust, *Shoah*, on two successive evenings. There is no archive film in the programme which relies entirely on interviews and film of the present

day sites of concentration camps.

The BBC will screen its first ever recording of an English National Opera production when it presents *Lady Macbeth Of Mtsensk* as the highlight of BBC2's Shostakovich season. Bernard Levin who followed amusingly in Hannibal's footsteps through the Alps will be travelling in a new *C4* series *The End Of The Rhine*.

There is a lot more serial drama to come. BBC2 will present a seven-episode adaptation of John Le Carré's latest book, *A Perfect Spy*, with Peter Egan as Magnus Pym, and BBC1 will offer *My Family And Other Animals*, Gerald Durrell's autobiographical account of his childhood, shot entirely on location in Corfu.

Next Friday ITV begins *The Bratts*, a story about a theatrical family during the roaring twenties starring Frank Middlemass, Norman Rodway and Barbara Murray; and Channel 4 has a brand new series of *Hill Street Blues* to offer.

It could yet turn out to be a vintage autumn season.

## The Electrification/Glyndebourne

Max Loppert

An important occasion at Glyndebourne on Monday: the opening of the 1987 Glyndebourne Touring Opera season, a new opera, *The Electrification*, by Nigel Osborne, libretto by Craig Raine after Pasternak's *The Last Summer*—was commissioned for Glyndebourne by the BBC, and is the first full-length operatic premiere to take place in this theatre since Maw's *The Rising of the Moon*, in 1970. Glyndebourne has demonstrated admirable faith in its latest offspring—after being toured (along with Coe and the Ravel double bill) this autumn, *The Electrification* is to form part of the 1988 festival repertoire.

An important occasion, then, but also, I regret to say, a melancholy one. The history of operatic premieres is littered with reviewers' premature pronouncements of failure, and one hesitates to add to the debris especially as there is much of obvious merit in both music and text. But after so flat, so simply undramatic an evening in the theatre, I think a certain amount of head-shaking is in order.

In last Saturday's columns Andrew Clements outlined the genesis of the opera, tracing the stages in which Pasternak's novella became Raine's libretto, and the influence—almost entirely malign, it appears to me from the finished article—later exerted by the operatic press on the young American opera and theatre producer, Peter Sellars (who makes here his British debut).

Examined as it were in isolation, the opera's three elements—in the compound, Pasternak, Raine, and Osborne, promises much. The semi-autobiographical novella (its lyrical fervour, its passion, its penetrating even the dreadful English translation by George Reavey) proposes a striking combination of themes and emotional states while offering plenty of openings for the "interfering" power of music in opera. In the book, the central dramatic contrast—the Pasternak character's loss of touch with reality, his passion for the simultaneous violent revolutionary modernisation of Russia itself—is viewed in flashback. Raine, whose elegantly turned, clearly crystalline text (published by Faber) is a pleasure to read on its own account, has added an important reflective substratum to the events by making Pasternak himself a character in the opera, one who opens and closes it with the same bitingly ironic seven-verse song. The extra layers of detached consciousness proposed by Raine's characterisation, imagery, and the additional impingement of Pasternak's own tragic fate on the narrative, make for a dramatic vehicle at once dense, rich, and surely structured.

At setting moments throughout the two acts and two hours' duration, one begins to glimpse

in the music a response to the libretto that can properly be called theatrical. Osborne's score, moving distinctively in a "near-tonal" atonal idiom, is carefully and densely worked, seldom thick or aimless in the manner of too many postwar operas. (Not every word is audible.) A tape provides atmospheric background presence and a kind of dramatic "frame." There are references to the Russian music of the period (such as the "futurist" sounds and rhythms of Prokofiev and Shostakovich) in Pasternak's song, or the gentle *Firchid* flutter in the Ravel double bill) this autumn, *The Electrification* is to form part of the 1988 festival repertoire.

It is a score of much beauty and sensitivity; but on Monday it seemed to lack for most of its progress, any continuously convincing theatrical identity. Those graveyards of the inexperienced opera composer, pacing and variety of incident, claim their victim in painfully static long stretches of Act 1. The dramatic momentum is flaccid, haphazard; the basic demands of theatre are mostly failed or incompletely skirted. It's a short opera, but it feels terribly—because aimlessly—long.

How much of this can be blamed on the Glyndebourne presentation is, of course, impossible to determine. In my own mind, however, I am confidently persuaded that the Sellars production is a total disaster, and that the work itself stands as the prostitute Sasha—a difficult assignment delivered with unselfconscious dignity and warm, lustrous soprano tone.



Omar Ebrahim, Henry Hereford and Elizabeth Laurence

## Borodin Quartet/Elizabeth Hall

Dominic Gill

The Borodin String Quartet are one of the world's great quartets; although to tell the truth their performance on Monday of their namesake's second quartet in D major—the recital was the first of three the Russian ensemble are giving on the South Bank this month—never quite matched the extraordinary level of excellence we have come to expect from them. It was of uncommon distinction nonetheless; how gripping a Borodin performance can be, even a few degrees short of perfection.

Borodin's D major was the first work of the evening, and suffered marginally perhaps from its placing by the time

the ensemble had reached the opening bars of Shostakovich's quartet no. 8, the manner was thoroughly played in and relaxed, and had lost any traces of edginess. The sound, in whatever circumstances, is unfailingly beautiful; a paradoxical blend, ideally homogenous, of four wholly distinct and contrasting instrumental voices. Their sound, vibrant sonority, especially used sparingly and to unerring point, is a miracle wherever it occurs. I loved their sombre colouring of the Shostakovich, and the dramatic weight they gave to the darkest currents of the music—the form and desolate landscape of the two final larges was vibrant with menace.

By the end of the evening

the Borodin were evidently tired, the Shostakovich pushing international schedules inevitably sometimes take their toll. One will rarely hear an account of Chaikovskiy's D major quartet more exquisitely chafed (they are playing the other two Chaikovskiy quartets in their two other recitals)—but I have heard the Borodin themselves give it with more buoyancy; and paint its colours still more vividly. By the time of their second programme next Sunday afternoon they should be properly rested, and back on high-voltage form. Their recital form part of a short "Festival of Russian Music," which also embraces two appearances of the Leningrad Philharmonic under Marius Jansons.

## The Traveller/Leicester Haymarket

Martin Hoyle

Jean-Claude van Itallie based *The Traveller*, enjoying its British premiere at the Leicester Haymarket's Studio on the experience of the actor Joseph Chaikin. In this play the leading character is Daniel Moses, a busy New York composer whose compartmentalised life can barely fit his old girlfriend in between interviews with foreign journalists and Yo-Yo-Mis at Avery Fisher. At some point during surgery for the inevitable heart attack he suffers an undetected stroke. He slowly emerges that he has lost the use of one side of his body and more horrifically, that part of the brain where language is stored.

The bulk of the play charts this traveller's struggle towards expression through the nightmarish wall of jibberish that English now resembles when he first comes round, and then through his own recalcitrant mouth and brain the refusal to frame the words he gropes for. The harrowing central role is flanked by figures that seem to belong to a different world. The dialogue for loyal girlfriend Aaron (some symbolise here?) and the prosaic elder brother, affectionate yet resentful, lapses into domestic drama of a disappointingly conventional type, not least when they explain the two brothers' past.

term of closeness and rejection: "It's a love ritual. At least it's classic S and M."

The play's construction is problematic. In the long first half the hospital staff takes an unreasonable time to realise that immobile limbs and articulate jabbering may signify more than the effects of anaesthesia; a pantomime audience, one longs to yell "he's paralysed!" so that they can get on with it. Act Two has no where to go but up as we watch Moses hobbling towards coherence through speech therapy (suggested rather than illustrated), traumatic rage and humour.

The work has a shapelessness that might benefit from tightening into long single act. Keith Boak's production in the semi-round impressively fleshes out Moses' hallucinations with swirling black-robed figures, and a dedicated cast with no weak link conveys a medical staff endowed by the brain-struck patient with the characteristics of kangaroos, horses and birds. But the play revolves round Moses, and David Threlfall gratefully seizes a part tailor made for his brand of meticulously detailed physical intensity. The former Smiles from Nicholas Nickleby can rise to the grotesque aspects of affliction with

searing ease. The portrait is completed by countless small details: a little grin of triumph when he grasps the context of manages a coherent word; turning away for a deliberate, delicate round-lipped cough, a moment of self-absorbed concentration in the middle of a screaming tantrum, which one Flare support from Morag Hood (Aaron), Ben Roberts (the brother) and Diana Kent (therapist).

*The Traveller* can be seen at London's Almeida Theatre in December. This week the play's inspiration, Joseph Chaikin, arrives, also from Leicester, at the Royal Court's Theatre Upstairs. From Thursday to Saturday he reads excerpts from Ted Hughes' adaptation of Seneca's *Oedipus* and *The War in Heaven*, a monologue specially written for him by Sam Shepard. Like the drama's hero Mr Chaikin suffered dysphasia— inability to speak or recognise the spoken word—after a stroke. He has re-learned fundamental speech, and his manner is both deliberate and throwaway. In Seneca's characteristically bloody imagery or in Shepard's very yearning piece for a captive angel, one is aware of both the physical effort, almost comically monumental, and the spirit that infuses it.

## LPO/Festival Hall

Andrew Clements

The London Philharmonic's 1987-88 season could hardly have started less auspiciously than with the news of the resignation of Klaus Tennstedt as the orchestra's musical director in August, leaving a hole in its planning that it has already been admitted will be hard to fill. Yet Monday night's concert under the young Austrian conductor Franz Welser-Moest signalled that there had been no diminution in the orchestra's morale; it was in every way a distinguished and memorable occasion, a marker for future prosperity.

Finding the right musical context for Beethoven's C major Mass Op.93 is never easy. It has acquired something of the reputation of a makeweight work (though only, one suspects, by comparison with the *Missa Solemnis* and hence not sufficiently attractive to form the main focus of a concert. Welser-Moest's answer was to pair it with a Bruckner symphony, the Sixth, producing a substantial and well-balanced programme. It was also one that avoided all sense of stodgy monumentality. Welser-Moest was careful to keep choral textures light and rhythms buoyant in the mass, allowing the contributions of the solo quartet—a selfless grouping

of Gunnel Bohman, Christine Cairns, Keith Lewis and Alfred Muff—to be unselfconsciously integrated with the chorus (the LPO's own). There was no attempt to evoke the spectacle of later, 19th-century choral offerings; the work moved as lightly and lucidly as any Haydn mass.

In the most protean and athletic of all Bruckner symphonies too Welser-Moest avoided rhetorical point-making, at pains always to keep the music moving forward. Only occasionally did the speed of the performance outstrip the pace of the musical thought—the opening paragraph of the first movement could have been presented more broadly and so drawn more expressive weight from the aching chromaticisms of their solo solo, though the intertwining of brass lines later in the movement was most skilful and eloquently moulded. Scherzo and Finale were both launched with easy, convincing grandeur, and the tonal changes in the latter was assuredly negotiated. The first movement had similarly been assembled with an unflinching grandeur, the music's ambiguous thematic statements carried a thrilling definition, Bruckner's transmutation of Wagnerian forest murmurs made transparently alive.

## Arts Guide

October 2-8

## Exhibitions

LONDON

The Tate Gallery. Turner in the new Clove Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and discussion ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question: the larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful octagonal Stirling has decreed for the principal galleries is a far cry from the rich hue he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Bibliothèque Nationale: Fine Prints in France from the 18th to the 19th Century. More than 200 impressions of exceptional quality from the print department in the Bibliothèque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early engravings showing Flemish, German and Italian influence to the

majestic Grand Siècle style under Louis XIV, from Boucher's pastel-hued subjects galants to the modernity of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale, Galerie de la Monnaie, 58 rue Richelieu. Ends Nov 2.

Pragomart: The Grand Palais is staging the first retrospective of Pragomart in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of nature's perfect health. The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative quality of the Scenes Galantes so typical of the 18th century. Grand Palais. Ends Jan 4.

Artisur presents a panorama of 12 years of its activities in favour of contemporary art as a gallery, a library and as an editor of "multiple originals" of statues and jewels, contemporary furniture, Sonia Delaunay's personal dinner plates and a 1930 carpet. The gallery's exhibitions have tried to present the image of the 20th century. Sonia Delaunay was followed by Giorgio de Chirico, Zadkine's retrospective by Man Ray photographs. There was sculpture by Chabrier and the art of the poster by Matisse. All culminated in a homage to the late President Pompidou—like Artisur a lover of the avant-garde. Artisur, 8 Ave Matignon (1209 1616). Ends Nov 14.

West Germany Bonn, Rheinisches Landesmuseum, Colmanstraße 14-18. Sculpture from the German Democratic Repu-

blic (East Germany). A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 40 contemporary German and 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stötter, Hermann Glockner, Waldemar and Sabine Gräzmet, Ingeborg Rünzinger and Franziska Lohbeck. The show will be in Bonn until October 18 and then to Munich (Staatliche Galerie moderne Kunst, Nov 5-Jan 3) and Mannheim (Städtische Kunsthalle, Jan 23-Feb 23).

ITALY

Rome: Two exhibitions which opened to coincide with the World Athletics Championships in Rome. The first, (until November 15), *Athle and Athleas in Classical Greece* at the Palazzo del Conservatorio, the Campidoglio recounts the religious origins of this sport in Greece and includes a handful of fine statues (including the extraordinarily modern discobolus of Castel Porziano) and vases, while the second, at the Museo della Civiltà Romana (Piazza G. Agnelli 10, Eur-Rome), entitled *Sport in Antiquity* recounts how the games gradually became an amusement for the masses and a means of self-advertisement for emperors. The museum in which it is housed is little-publicised and full of fascinating objects (Roman surgeon's and obstetrician's tools, weights and measures and scale models of bridges, viaducts etc.). Ends October 25.

## Saleroom/Antony Thorncroft

## Cheap money

This is coin week in London and the most important auction is of the "Galla" collection of gold coins at Christie's. This was formed in the first half of this century by a French family and is the finest group of French gold coins in private hands. It covers the period from St Louis, in the late 13th century, to the 1789 Revolution.

The sale got off to an encouraging start yesterday afternoon with a Couronne d'or of Philippe VI of Valois beating its top estimate at £28,500. A Petit royal debout of Philippe IV, the Bel, was well above forecast at £18,700, and a Florin Georges of Philippe VI was on target at £12,000.

The morning coin sale had produced a total of £298,529, with 13 per cent under, suggesting that this is still a rather underpriced market. A gold coin from Egypt, carrying the portrait of Ptolemy V, sold to Rare Coins for £16,500, twice the estimate, while a gold medallion of 2 solidi, of Constantius II (AD 337-361), made £13,200 to another dealer, Roberts.

The dealers were out in force, stocking up for the Coinex Fair at the Marriott Hotel which opens tomorrow. Baldwin paid £12,650 for an aureus of Numerian (AD 283-284), an obscure Roman emperor, and Rare Coins acquired an aureus of Julia Domna, wife of the

Emperor Septimus Severus, for £8,800, double the estimate. Glendinning was auctioning the collection of Anglo Saxon coins gathered by apple grower Gordon Dobleday. The top price was the £4,950 paid by Spink for a coin of Aethelred II, from the Caistor mint. Only four coins are known from this mint.

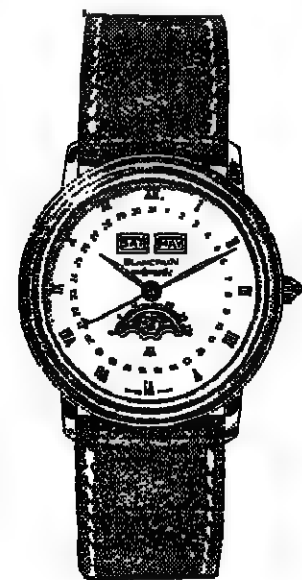
Phillips was also selling furniture. The top price was the £17,600 paid for a William and Mary japanned cabinet. A George III satinwood and inlaid sofa table trebled its estimate at £14,300. There was a tribal art auction at Christie's South Kensington which produced a successful bid of £2,090 for a Marquess wood paddle club.

## Gala "Follies" for Tricycle Appeal

A special gala performance of *Follies*, at the Shaftesbury Theatre, will be held on November 26, Thanksgiving Day, to raise money for the Tricycle Theatre Building Appeal. The Tricycle, the successful Kitson theatre which has pioneered new black writing, was burned down earlier this year.

It has taken over the hit musical *Follies* for one night and, from the same venture, hopes to raise around £50,000 towards its £150,000 renovation target.

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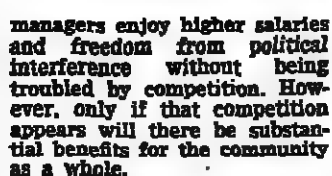
Jouiller-Strasbourg, Médaille d'Argent de la Ville de Paris, 35, boulevard des Capucines, 75002 Paris. Tél. 42.51.06.74.







## East-west relation



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### By Colin Robinson

## The Berlin wall still

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## Mrs Stahlbaum's choice

## Carrington's successor

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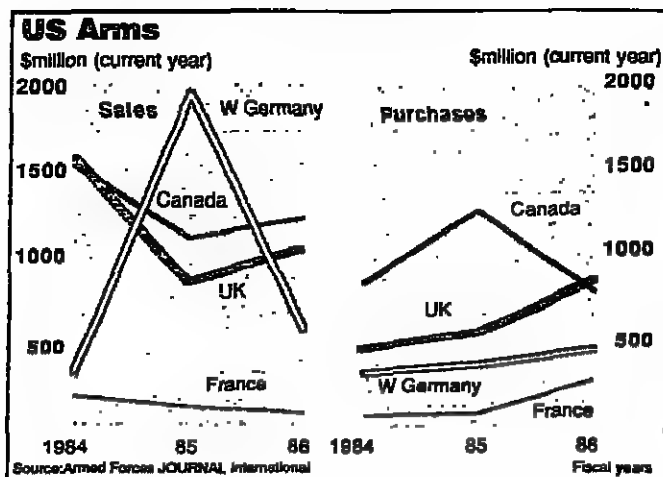
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## Pentagon reviews defence trade with allies

BY DAVID BUCHAN, DEFENCE CORRESPONDENT, IN LONDON



THE PENTAGON has disclosed it is reviewing US defence trade with its allies in the same week that an important exhibition promoting the military exports of those allies opens in Washington.

News that a Defence Department team, under Mr Denis Kloke, a deputy undersecretary for resources, is examining the degree to which the US benefits from the memoranda of understanding (MOUs) it has on defence procurement with 19 of its allies and friendly countries coincides, ironically, with the opening of the ComDef exhibition specifically confined to those countries.

A big sales push from European arms exporters who face generally slack business elsewhere, coupled with US encouragement of transatlantic

arms collaboration, brought a record \$2.9bn in arms imports from Europe and Canada in 1986-8, and a protectionist backlash in Congress. This is despite the fact that the US still sold its allies \$4.4bn worth of arms in 1986-8, and has run a chronic surplus on defence trade since the Second World War.

In undertaking the defence trade review, the Pentagon may be trying to head off protectionist measures on Capitol Hill. The Senate and House of Representatives soon face a conference on the 1987-88 Defence Bill. They must decide whether to include in it the Glenn amendment, which would bar Strategic Defence Initiative (SDI) contracts going to a foreign company if there was a "competent" US company in the field, and the Trafficante

amendment which would place a 5 per cent cost premium on any foreign bid competing with one offered by a US company from a high unemployment area.

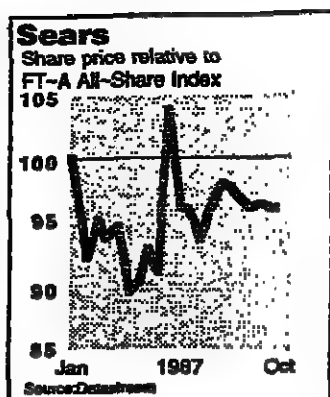
The UK is expected to field the largest number of companies at ComDef, followed by Spain and France.

In the year ending September 30 1986, the latest period for which figures are available, France was the only country to have a defence trade surplus with the US. Perhaps anticipating Pentagon pressure, France has recently followed its Awaes purchases with the announcement that it will also buy C-130 Lockheed transport aircraft.

Tenacity key to arms market, Page 4

## THE LEX COLUMN

# Unsure footing at Sears



The presence of Robert Holmes a Court on Sears' share register, with an 8.2 per cent stake, appears to have concentrated the management's mind somewhat, even if a sharpening up process had already begun. Yet the quarrel the City has with Sears, and the main reason for the 52p fall in the share price yesterday to 167 1/2p, is that the company is not doing much to win the friends it will need if a bid eventually comes. A 15 per cent rise in interim pre-tax profits is adequate, though not startling, but Sears was annoyingly unforthcoming to analysts yesterday about the make-up of those profits. That automatically raised suspicions about their quality, which may well prove unfounded, but damaging nonetheless.

Most marked among the complaints is the inclusion in the unquantified gain from selling shops. Sears is cutting about 250 shops out of the footwear chain, most of which are to be redeployed elsewhere in the group. But some are being sold at what ought to be good prices given the competition for high street sites. Meanwhile, the fall in betting profits may be explicable, despite an 8 per cent increase in betting slips sold, given the punters' improved luck so far this year. But it is a reminder of the volatility of such earnings.

While the market is ready to concede that Sears is generally moving in the right direction, there is some frustration with the pace of progress and a fear that the strong balance sheet might tempt it into unwise acquisitions. It is by no means certain yet that an offer at the right price could be resisted, although the longer it is in coming, the better Sears' chances of resisting. And Mr Holmes a Court's holding costs on his investment must be nibbling away at his profit. A multiple of 16 for the current year, on a pre-tax estimate of £240m excluding disclosed exceptional profits, is poised between bid speculation and fundamental value.

**Markets**  
 The London equity market's sharp little setback yesterday afternoon was a reminder of grumbling unease over international interest rates. At the root of it was an apparent upward move in rates by the Bundesbank, and some cautionary remarks about money supply growth from Karl Otto Poehl. This in turn knocked the New

York markets, with equities in particular happy to lie low after recent strength.

It will not in fact be clear until today just what the German authorities have in mind. The Bundesbank yesterday set the minimum rate for today's tender at 3.5 per cent, compared with 3.5 per cent a fortnight ago. On that occasion the actual allocation the following day was at 3.65 per cent, and the assumption is that the rate will be correspondingly higher today. If so, Mr Poehl will be taking a leaf from Mr Lawson's book - in the more downbeat German manner, to be sure - and giving warning that the authorities are prepared to take pre-emptive action against inflation. The effect on the D-Mark should meanwhile be one of catch-up, since the slight weakness in the currency over the past week or so was largely due to Germany being left behind in the general upward trend in world interest rates.

In Tokyo, too, interest rates have been firming. Taken with the possibility of a rise in the discount rate, this would hardly seem the ideal environment in which to launch next month's massive sale of a second tranche of NTT shares. However, the Japanese stock market has been ignoring the behaviour of the world's bond markets, and after rising by over 1000 points since the middle of last month the Nikkei Dow is only a few points below its all-time high. Despite the much higher valuations of Japanese equities relative to other major stock markets, there has been a definite change in Japanese investor attitudes to overseas markets. Whereas earlier this year London and New York were talking confidently about the wall of Japanese money which would underpin their lo-

cal markets, the latest figures show a sharp decline in Japanese purchases of overseas bonds and equities, and a corresponding rise in the money available for the domestic market.

### Royal Life

Those who objected to Royal Life's privatisation-like unit trust launch campaign may regard it as poetic justice that it appears to have attracted less money and more people than envisaged. By pulling in £240m from 135,000 unitholders - rather than £200m from 100,000 - Royal have probably done little better than break even on the launch. The £14.5m of front end fee is largely cancelled out by the advertising and prospectus costs, the commissions, the discount and the higher than expected administrative costs. That still looks impressive by comparison (however unfair) with Britannia's purchase of County's £400m for £40m, but rather less exciting than the Pru's acquisition of £190m from 80,000 people at a cost of less than £1m.

But Royal shareholders have little to worry about, even if they were among those pestered by the irritation of duplicated mailing lists. The name of the company may have had an unusual brush with controversy but it has also received the kind of exposure that other companies pay £3m-plus a year for. Added to which it has assets of £240m and 135,000 new customers to whom the company can cross-sell a variety of other products. All that remains is for the funds to provide returns above the average and for Royal's protestations that its customers are not expecting another BT or TSB to be vindicated. If the company is wrong it will not be long before it disappears under a mountain of angry letters and redemptions.

### The Governor

Even Governors of the Bank of England have to manage their private investments. But Mr Leigh-Pemberton's readiness to endorse a candidate in the elections at Lloyd's, where he is both regulator and investor, shows questionable judgment. It is regrettable that he declined the opportunity yesterday to make his position clear.

## Sri Lankan Tamils kill captive soldiers

BY OUR FOREIGN STAFF

SRI LANKA'S ethnic crisis worsened significantly yesterday, when separatist Tamil Tiger guerrillas killed eight captured Sri Lankan soldiers and launched a spate of attacks following the suicide of 12 Tigers in government custody on Monday.

The agreement between Sri Lanka and India aimed at ending four years of ethnic violence on the island now faces its most serious test since it was signed in July by President Jajayewardene of Sri Lanka and Mr Rajiv Gandhi, the Indian Prime Minister.

In addition to the killing of the soldiers, Tamil militants shot dead the Sinhalese manager, and his deputy, of a state-run cement factory in the northern

Tamil city of Jaffna and killed a policeman and wounded three others at nearby Vavuniya. There were also attacks on two army camps at Point Pedro and Thondamanaru in Jaffna district, wounding four soldiers.

All army camps in the north and east are now on full alert against Tamil attacks. A four-member camera crew of the state-run television station went missing yesterday and is feared kidnapped by Tamil militants.

The Tigers have announced they no longer feel obliged to keep the ceasefire brought into force by the July accord.

77 army leaders and cadres are allowed to die the Tigers are not bound to observe the ceasefire," said a Tiger spokesman in

Madras, capital of the south Indian Tamil state of Tamil Nadu. A letter to that effect had been sent to the Indian authorities. The suicides and killings underline the extent to which the peace accord is being resisted despite the efforts of the Sri Lankan army and an increasing number of large Indian peacekeeping forces.

There are already more than 8,000 Indian soldiers and 1,000 paramilitary forces in Sri Lanka and more army units are on the way to try to maintain peace between the minority Tamil and majority Sinhalese communities. One unconfirmed report said as many as 4,000 more Indian soldiers were due.

The Tigers shot dead the eight Sinhalese soldiers, who had

been held captive for seven months, as soon as word spread that 12 Tigers had swallowed cyanide tablets as they were about to be flown from the northern Tamil city of Jaffna to Colombo for questioning about arms running. Another five are in critical condition.

The soldiers' bodies were dumped at a bus stop in Jaffna.

The Tigers, who had been fighting to set up an independent state, had accepted the July accord only reluctantly. The accord aimed at ending strife that has killed 60,000 people. Since then the guerrilla groups have split, with splinter groups vowing not to surrender their arms and to continue the fight for an independent homeland.

## IBM seeks larger share in telecoms

BY DAVID THOMAS IN LONDON

IBM, the world's largest computer company, yesterday launched a private telephone exchange in a drive to boost its share of the European telecommunications equipment market. In recent years IBM has sold few telephone exchanges in Europe, although it still has a substantial installed base left over from the 1970s when it had a number of successful exchanges.

IBM said it had deliberately priced its new exchange, to be called the IBM 8780 BCS, aggressively in order to capture a large market share.

It is the first product designed for IBM by Rolm, the US telecommunications equipment manufacturer acquired by IBM in 1984 as part of its strategy to become more involved in telecommunications.

It is the first digital private exchange to be sold by IBM, and also propels IBM into the telephone market for the first time, because the company will be selling the exchanges complete with telephone lines.

IBM intends to sell the exchange in at least 11 European countries. They will become available in the UK from next June, in Italy from August, in West Germany from September, and in France from March 1988.

The exchange will be supplied in Europe from IBM's Havant, factory in the south of

England. The company also announced yesterday a similar product, the IBM 8780 BCS, for the Americas and Asia.

Mr Julie Barnard, a London-based analyst with Dataquest, the US market research consultancy, said she thought IBM's market position in Europe would make it a new exchange successful, although she warned that competition in European telecommunications equipment was becoming tougher.

IBM stressed that its new exchange would be able to handle voice and data and said that it intended to offer it to customers in packages with its computers. The range announced yesterday can handle up to 1,250 extensions and will be priced at £235 to £280 (£530-£630) per extension plus digital telephone.

IBM says it will announce machines of more than 3,000 extensions in a few months.

IBM said this implied a price per digital telephone of about £20, which was described by Mr Barnard as "incredibly cheap". In trying to sell its new exchange, IBM will face strong competition from the established European manufacturers, including Alcatel of France, Siemens of West Germany, Ericsson of Sweden, General Electric Company and Plessey of the UK and Italtel of Italy.

## Jaruzelski to press for major reforms

BY CHRISTOPHER BOSINSKI IN WARSAW

POLAND'S communist leaders will be asked tomorrow by Gen Wojciech Jaruzelski, Poland's leader, to approve a major reorganisation of the central government and price rises designed to balance supply and demand.

The party's central committee is to be presented with two alternative proposals for reorganising the government, one involving significant price increases bunched over the next 12 months and the other spreading the same rises out over the next two years.

The committee will also be asked to give the go-ahead for a referendum the first in Poland since 1946, and planned for early December, which would, in effect, prepare the ground for the expected drop in real incomes by posing questions in such a way as to elicit a positive answer from the population for the price rise programme.

The governmental changes involve the amalgamation of the industrial ministries into one unit, which would still be the responsibility of Mr Zbigniew Szlachetka, the Deputy Premier responsible for industrial policy.

Foreign trade policy and international trade are expected to remain the domain of the prime minister, as education and tourism are to be streamlined. The new policy, which was described yesterday as an "earth-



Polish leader Gen Jaruzelski seeking major central government reforms and price rises

quake" by Mr Jerzy Urban, the government spokesman, is designed to boost efficiency in economic activity.

It will be unveiled in Parliament on Saturday by Mr Zbigniew Messner, the Prime Minister.

While many casualties of the reshuffle can be expected among ministers, of whom there are at present 28, the five deputy premiers are expected to remain in their posts for the time being, as is the Prime Minister.

Polish leader Gen Jaruzelski, seeking major central government reforms and price rises

## Iran hit by ship losses

Continued from Page 1

to be a useful covert weapon for Iran against shipping. But it seems that the Iranians have been hesitant to lay any more following the incident in which US forces shot at the mine-laying vessel Iran Ajl.

British minehunters sweeping supposedly dangerous channels off Dubai apparently failed to find any mines last week. The two mines which the French navy discovered off Fujairah last week had by all accounts been laid some time ago.

There remains, of course, a distinct possibility that Iran - or perhaps some Revolutionary Guards who may not be fully accountable to Tehran - will none the less undertake a foolhardy act of martyrdom which sparks a wider conflict.

## Enichem in joint US, UK talks

BY ALAN FRIEDMAN IN MILAN

ENICHEM, the Italian state-owned chemicals group, has embarked upon a series of negotiations with US and British companies that are designed to achieve joint ventures in the pharmaceuticals, petrochemicals and elastomers sectors.

The Enichem initiatives, with companies such as Du Pont, Arco, Dow Chemical and British Petroleum, would appear to place in doubt any hopes of similar agreements being reached at home in Italy between ENI, the state holding group, and Montedison, the private-sector chemicals giant.

ENI approached Montedison last November with a proposal aimed at merging some of the two companies' interests in order to rationalise the Italian chemicals sector. In April, Mon-

tedison responded with an offer to buy Enichem outright from ENI.

ENI said that Enichem was not for sale and insisted on joint venture talks with Montedison, but these have come to nothing and the Milan group is perceived by ENI to have decided to follow its own separate course.

Among the new Enichem initiatives is a negotiation with Du Pont of the US to set up a joint marketing venture between Du Pont and Enichem's Sclavo subsidiary, which manufactures vaccines and diagnostic products. The Siena-based Sclavo would have been a candidate for a joint venture with Montedison's Farmatolia Carlo Erba subsidiary.

It has also emerged that talks

between Enichem and BP about ethylene production are set to resume in the next few days after having been suspended last summer.

Enichem and BP are the two largest producers of polyethylene in Europe with a combined output of nearly a quarter of total European production. An Enichem-BP agreement in this sector might be modelled on the unusual merger earlier this year in which Enichem and Britain's Imperial Chemical Industries (ICI) pooled their loss-making polyvinyl chloride (PVC) operations in Europe.

Details of Enichem's expected talks with US companies such as Arco and Dow Chemical were not available last night.

## World Weather

| Area    | Temp | Wind | Cloud | Area      | Temp | Wind | Cloud |
|---------|------|------|-------|-----------|------|------|-------|
| Algeria | 22   | 12   | 12    | Paris     | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    | Rome      | 12   | 12   | 12    |
| Algiers | 22   | 12   | 12    | Madrid    | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    | Moscow    | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    | Nairobi   | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    | Rangoon   | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    | Seoul     | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    | Singapore | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    | Taipei    | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    | Tokyo     | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    | Yokohama  | 12   | 12   | 12    |
| Amman   | 22   | 12   | 12    |           |      |      |       |

## Poehl doubts over IMF index plan

Continued from Page 1

this could be a practicable system for monetary policy."

Mr Baker suggested that the IMF/World Bank meeting in Washington last week that the relationship between currencies and a commodity basket including gold could act as an early warning of price trends and should be used as an analytical tool.

When the average of these prices began to rise or fall, major industrial democracies would know whether they had to squeeze back the supply of credit or boost performance, he suggested.

But Mr Poehl said: "There is some scepticism regarding suggestions for going beyond just observing raw material prices - in other words, going to some sort of fixed link between monetary policy and raw material price movements."

On the domestic interest rate policy, Mr Poehl confirmed the widespread belief that the Bundesbank was increasingly using minimum tender levels for securities repurchase agreements as a way to steer short-term interest rates.

The repurchase agreement is a "particularly flexible instrument" gradually to reduce the rate of monetary expansion, he admitted.

The Bundesbank yesterday increased to 3.80 per cent the minimum tender level its sets for repurchase agreements.

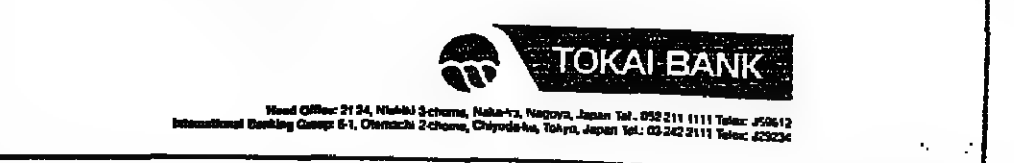
Mr Poehl's main concern appears to be to quash fears of higher inflation rates, without at the same time putting German economic growth at risk. Therefore, he is stressing that interest rates are not on an upward trend, while using repurchase agreements to gradually damp down the pace of monetary expansion.



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## SECTION II - COMPANIES AND MARKETS

# FINANCIAL TIMES

Wednesday October 7 1987

### Royal Life sets record with new unit trusts

By Eric Short in London

ROYAL LIFE Fund Management, the unit trust arm of the Royal Insurance Group of the UK, has created a record for investment in a unit trust launch.

Its Royal Event, a £5.9m marketing campaign for three international unit trusts, attracted £240m (£388m) in investments.

That was £30m more than the previous record, achieved in a launch last year by Commercial Union Fund Managers.

But it fell far short of Royal Life's own target of £300m, and it is doubtful whether the company did more than cover the costs of the launch given that it has to pay commission to intermediaries and is limited to taking only around 94 per cent of the total invested to meet its own expenses.

However, the campaign did bring an above-target number of responses from individuals. Some 135,000 people applied for units - one third more than the forecast 100,000.

Although the largest investment received was £508,000, the average was only £1,780 against a target of £2,000.

The £5.9m campaign, which blasted Britain through television, press and direct mail advertising in a manner akin to the promotion of a privatisation issue, was itself controversial.

No unit trust group had spent anything like that amount on promotion before. There was criticism from several quarters that it was misleading the public on the benefits of unit trust investment, and complaints were made to the Advertising Standards Authority.

However, Mr Peter Baines, director and general manager of Royal Life Fund Management, denied there was any substance to the criticisms and said yesterday: "The authority was not pursuing the complaints."

### Bowery distress sale reaps \$100m profit

By Anatole Kalesky in New York

BOWERY Savings Bank, the historic New York retail bank, which since 1834 has looked after small savings of poor immigrants on Manhattan's Lower East Side, will soon be further enriching some of America's wealthiest investors.

With the agreement, announced on Monday night, to sell the Bowery for \$200m to H. F. Ahmanson & Company of Los Angeles, there will be nearly \$100m in profits to divide up between Mr Warren Buffett, the legendary investor from Omaha, Nebraska, Mr Laurence Tisch, head of CBS and Loews Corporation, and Mr Richard Ravitch, a leading New York property developer and public official.

However, there will be no profit-sharing for the federal Government, which sold the near-insolvent Bowery to the investor group for half its present price less than two years ago.

This is likely to fuel controversy in Congress about the use of taxpayers' money to bail out failing banks. The Bowery sale appears to be the first time in recent years that investors who gained control of a bank with the help of federal guarantees have sold it on so rapidly to make a large profit.

The Bowery, which for 150 years had been a mutual institution owned by its depositors, was effectively taken over by the Federal Deposit Insurance Corporation in 1985, after suffering mounting losses on its fixed-rate mortgage lending.

The FDIC put \$155m in cash and \$100m in loans into the Bowery, when it sold it for \$100m to the investor group led by Mr Ravitch. The federal agency also provided guarantees against adverse swings in interest rates as part of the deal.

Since its balance sheet was re-

structured in 1985, the bank, headed by Mr Ravitch, has returned to solid profitability, making \$280m in profits during the last two years on assets of \$6.7bn. Now Mr Ravitch and others involved in the bank's management are expected to receive \$20m from the proceeds of the Bowery sale.

The other \$180m will be divided about equally between Mr Buffett's Berkshire Hathaway Inc, Mr Tisch's family interests and two venture capital funds, run by the Wall Street firms of Warburg Pincus and Dillon Read.

For Ahmanson, currently the second-biggest owner of thrifts in the US, acquiring Bowery will represent an important expansion into the New York City savings market and could re-establish the conservatively-managed Ahmanson as the biggest savings institution in the US.

### Brascan forecasts second-half gains through Noranda unit

By Robert Gibbins in Montreal

BRASCAN, the big financial services, resources and consumer products group, expects to gain from higher world commodity prices in the second half through its subsidiary Noranda Inc.

Brascan, a holding company controlled by the Peter and Edward Bronfman interests of Toronto, still hopes to become an operating entity through an acquisition during 1988, but while plenty of opportunities exist, prices are very high, said Trevor Eytan, the president.

Brascan's income now consists mainly of dividends from a large number of companies in which it invests, and the acquisition being planned would give it operating income and cash flow and certain tax advantages.

Brascan controls Noranda, whose

earnings have rebounded sharply this year. Noranda sold assets in 1986 to reduce debt and in the first half of 1987 posted net profits of C\$132.6m, or 60 cents a share. Higher metal and forest products prices and improvement in its oil and gas operations should give Noranda a sharp second-half increase, said Mr Eytan.

This would impact favourably on Brascan, which earned C\$136.6m, or C\$1.55 a share, last year. He said per share earnings for all 1987 could reach C\$1.85 or more.

Mr Eytan said all Brascan's investments are doing well though financial services are meeting much stronger competition.

Noranda has taken its forest products and gold mining subsidiaries public but will not follow suit

with its oil and gas subsidiary. Noranda Petroleum owns Canadian Hunter Limited.

The Labatt consumer products group's food, brewing and agri-products operations are doing very well this year, he said, and Labatt wants to invest in a US regional brewer.

Brascan's financial services group plans expansion outside Canada, and its Great Lakes Group banking subsidiary is concentrating on corporate finance as a limited market dealer or sub-underwriter. Brascan raised C\$1.2bn in common equity in 1986.

More direct equity could be raised by individual Brascan companies later this year, and convertible debentures issues are also possible.

### Linotype to be floated tomorrow for DM600m

By Haig Simonian in Frankfurt

LINOTYPE, the West German printing technology group bought by Commerzbank from Allied Signal of the US in late March, is to be floated tomorrow for DM600m, as reported briefly yesterday.

The company is the world's second-largest producer of high-technology typesetting and associated communications equipment, claiming a 15 per cent market share internationally.

Some 1.2m Linotype shares, worth a nominal DM60m (\$110m), will be placed by a Commerzbank-led group at DM500 a share. A further DM20m in nominal capital, plus one share, is to be assigned to Frega Vermögensverwaltung, an investment management company in which Commerzbank itself will hold a 40 per cent stake.

Three other groups, Buehmann-Tetradere Nederland, the East Asiatic Company, a Danish group, and Iduna, the German insurer, will hold 20 per cent each.

The share issue, which includes Credit Lyonnais, Morgan Stanley International, Nomura International and S.G. Warburg Securities in the management group, is aimed to ensure a broad international placing for a company which is well known for its products in both Europe and the US.

Linotype, which employs almost 2,100 people worldwide, had sales of over DM500m last year and after-tax profits at parent company level of DM32m, up from DM12m in 1986.

Group turnover has increased by an average 7 per cent a year in the past three years and rose 13 per cent in the first eight months of 1987. Profits are expected to rise by about 7 per cent a year, according to Commerzbank's analysts, who are forecasting earnings a share of DM24.50 in 1988, giving a P/E ratio of 30.4 at the issue price.

The pricing is difficult to judge owing to the lack of comparable companies on the German stock exchange.

### RAIDERS TARGET BUILDING PRODUCTS GROUP

## Fresh bid made on USG

By James Buchanan in New York

USG, the building products group which is America's largest gypsum producer, has come under a fresh takeover assault with the announcement by two aggressive Texas investors that they hold nearly 10 per cent of the Chicago company.

Stock in USG, which has risen strongly on takeover rumours in the past two weeks, jumped \$4 to \$55 in early business yesterday in response to Monday's late announcement by Mr Cyril Wagner and Mr Jack Brown that they own 9.83 per cent of USG and may seek control.

At yesterday's prices USG is val-

ued at \$2.8bn. The company reported earnings of \$255.4m on sales of \$2.72bn last year but is now facing a downturn in its main construction markets.

Mr Wagner and Mr Brown, whose main business is an energy and property partnership in Midland, Texas, are former associates of Mr T. Boone Pickens, the doyen of Texan raiders.

In the past year the partners have launched assaults on two sprawling conglomerates, Lear Siegler of California and the diversified tyre-maker GenCorp.

Both bids were rebuffed, but the

partnership apparently reaped handsome profits when Lear Siegler went private in a \$2.1bn leveraged buy-out and GenCorp announced a stock buy-back and restructuring. The partners are already sitting on a potential gain of nearly \$60m on their USG stake.

Last year USG paid out \$139.6m to buy stock held by the Belzberg family as the price of a 10-year promise by the Canadian raiders not to seek control of USG. There was speculation on Wall Street yesterday that the Texans may be seeking similar treatment, a practice known as greenmail.

## Pacific Dunlop to buy US group

By Our Financial Staff

PACIFIC DUNLOP, the Australian industrial group, is to acquire control of GNB Holdings, a US automotive and industrial battery maker, for A\$173m (US\$124m).

The group is to take an initial 60 per cent and plans to amalgamate its Pacific Chloride battery operations in the US with GNB, to create a leading producer of lead acid batteries with combined annual sales of US\$500m.

In order to help finance the deal, Pacific Dunlop plans to place 20m shares in an equity issue in Australia and abroad. Stockbrokers Potter Partners and Baillieu will place 12m units with Australian institutions while Credit Suisse First Boston and Cazenove Australia will place 8m shares internationally.

At recent prices the placement would raise A\$118m. Sir Leslie Froggett, chairman of Pacific Dunlop, said total worldwide sales of Pacific Dunlop's batteries would rise to more than A\$900m.

The acquisition raises its North American sales to US\$700m a year of batteries, latex gloves and con-

doms, footwear and polyurethane foam.

GNB sells batteries under the Champion, High Energy, Power Breed, Action Pack, Super Crank and Stowaway trade names and makes batteries for sale under private labels. It is also a major supplier of submarine batteries to the US Navy, Pacific Dunlop said.

The Australian company last year acquired battery operations in Australia, the US, Canada, Mexico and New Zealand from Chloride of Britain.

## Manny plans to recoup \$55m

By Our New York Staff

MANUFACTURERS Hanover, the sixth largest US banking group, has announced it will recoup about \$55m out of its pension fund as part of a multiple effort to plug the holes in its capital base left by provisions against shaky Third World loans.

Manny Hanover, which last month raised \$278m from an issue of new equity, said it would book a gain of \$55m - or \$30m after tax - from the purchase of annuities to satisfy some of its pension obligations. It said the pension clawback is part of

a recapitalisation effort that could include the sale of some non-strategic assets.

With the announcement, Manny Hanover is once again following a lead set by Citicorp, the largest US banking group, which put pressure on the other money-centre banks in May when it announced a \$3bn addition to its reserve against Third World loan losses.

Last month, Citicorp raised more than \$1bn from a sale of common stock, and booked an after-tax gain

of \$180m out of its excess pension assets.

Manny Hanover, which was relatively poorly capitalised even before its \$1.7bn loan-loss provision in June, said it was aiming to raise its equity base to 4 per cent of its total assets by the end of next year. Equity is the surplus of assets over liabilities.

Mr Peter Tobin, chief financial officer at Manny Hanover, said no new shares would be issued as part of the capital build-up.

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## INTERNATIONAL COMPANIES &amp; FINANCE

NOTICE OF REDEMPTION  
MORTGAGE INTERMEDIARY NOTE ISSUER (No. 1)  
AMSTERDAM B.V.

£50,000,000 Mortgage Backed Floating Rate Notes 2010

NOTICE IS HEREBY GIVEN by Bank of America National Trust and Savings Association as Principal Paying Agent to the holders of the above Notes that, pursuant to the Trust Deed dated 5th February, 1985 under which the said Notes were constituted, Notes in aggregate principal amount of £2,475,000 have been selected for redemption on 11th November, 1987 at their principal amount of £25,000 being outstanding capital and Notes bearing the following serial numbers:

0018 0054 0093 0105 0140 0170 0185 0200 0232 0270 0287 0321 0333 0345 0355  
0388 0395 0411 0420 0438 0466 0487 0509 0518 0544 0550 0596 0608 0624 0626  
0655 0675 0684 0690 0705 0714 0740 0767 0794 0802 0824 0838 0863 0876 0881  
0900 0934 0940 0956 0970 1000 1018 1025 1030 1068 1083 1091 1096 1115 1139  
1153 1198 1223 1233 1236 1245 1248 1257 1278 1279 1288 1290 1294 1310 1327  
1345 1346 1362 1381 1384 1421 1435 1446 1464 1625 1651 1700 1713 1721 1730  
1756 1774 1788 1833 1875 1880 1892 1898 1916

Notes bearing these serial numbers should be surrendered to (i) Bank of America National Trust and Savings Association, 25 Cannon Street, London EC4A 3HN or at the option of the holder (ii) to the offices of Bank of America National Trust and Savings Association in Antwerp, Zurich or Luxembourg as specified thereon.

After 11th November, 1987 any unmatured Coupons relating to such Note (whether or not attached thereto) shall become void and no payment shall be made in respect of and no talon shall be exchanged for such Coupons. Notes outstanding after 11th November, 1987 will aggregate to £28,325,000.

Dated: 21st September, 1987.

 **Bank of America**

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## Foreigners lift MISC holdings to 23.5%

By Wong Sukong in Kuala Lumpur

FOREIGN INVESTORS have raised their holdings in Malaysian International Shipping Corporation (MISC) to nearly 23.5 per cent, from only 9 per cent when the company was listed on the Kuala Lumpur Stock Exchange last February.

MISC said foreigners held 117.2m of the company's 500m shares at the end of September, compared with 18.5 per cent at the end of June. Company policy limits foreign ownership to 30 per cent.

MISC has been a favourite among foreign investors because of its strong earnings record and management. The company recently reported a 70 per cent increase in pre-tax profits to 143.9m ringgit (\$37.5m) for the first half to June.

Analysts say MISC's profits are "locked in" as it has a 20-year contract to transport 6m tonnes of liquid natural gas annually from the East Malaysian state of Sarawak to Japan.

A total of 85m MISC shares were sold to the Malaysian public at 2.4 ringgit per share. The shares opened at 3 ringgit and have since risen to above 9 ringgit.

## Telco share issue oversubscribed

BY JOHN ELLIOTT, RECENTLY IN BOMBAY

A SHARE debenture issue of Rs1.01bn (\$77m) issued by Tata Engineering and Locomotive (Telco) to help finance a project which is likely to include India's first locally developed mass production car has been oversubscribed by at least 25 per cent.

This is in line with the target of the company to raise Rs1.32bn from the issue, because it will be allowed by the Government to retain a 25 per cent oversubscription.

Telco, part of India's second largest industrial group, is the country's biggest producer of commercial vehicles, turning out 55,000 to 60,000 vehicles a year. It is investing Rs200m over two years in a new model called a Tata-mobile, which it has designed without any foreign collaboration and which will initially be manufactured early next year as a two-ton pick-up truck.

Later the Tata-mobile, which will be produced with both diesel and petrol engines, will appear in other versions such as a van and taxi. It is also widely expected to be produced as a luxury two-litre car if Telco's two-year-old collaboration with Honda of Japan for an Accord saloon is not approved by the Government.

About 10 applications for foreign car collaborations have been waiting for government approval for more than a year. Most, including the Honda proposal, seem likely to be rejected, in which case the Honda collaboration agreement would expire next year.

Telco expects to export the Tata-mobile to countries such as the US, Egypt and other parts of Africa.

The company's turnover increased last year to a record Rs11,97bn, compared with Rs10,26bn in 1985-86. Profits, however, were only Rs29.3m, compared with Rs183m a year earlier, partly because of a lack of overall demand.

## TSE to admit 20 new members

THE JAPANESE Ministry of Finance and the Tokyo Stock Exchange yesterday agreed to allow admission to the TSE of about 20 new member firms before the end of the year, Kyoto reports from Tokyo.

Officials said that more than 20 US, British, French, West German, Swiss and Hong Kong securities firms had shown interest in membership. Only six of the 43 foreign securities companies currently operating in Tokyo are members of the TSE.

However, the officials added that some 10 domestic brokerage houses would also bid for membership. Criteria used in awarding seats would include an evaluation of the brokers' assets and the degree of their participation on the exchange to date.

A special committee chaired by Mr Shoji Uemura, chairman of Nikko Securities, one of Japan's big four brokerage firms, is due to agree on a list of successful applicants by mid-December. The authorities again stressed that the new members would be allowed to join only in May next year when the new TSE building is set to open.

Yesterday's decision needs to be endorsed by a TSE board meeting on October 20, with the final number of new entrants agreed at a general meeting of member firms on November 4.

● The four largest domestic securities houses said yesterday they would increase their dividends for the year ended last month. Nomura intends to pay ¥12.50 per share compared with ¥10.50, Daiwa and Nikko ¥12 each against ¥9, and Yamachiguchi ¥13. It also paid ¥9 per share last year but this time is including a ¥1 commemorative payment for its 90th anniversary.

## MIM agrees on Highlands Gold offer

By Our Financial Staff

THE Papua New Guinea government and MIM Holdings of Australia have reached agreement on the flotation of its local Highlands Gold offshore to which MIM will inject its one-third stake in the Ferguson gold deposit.

Papua is one of the world's largest gold deposits. Exploration drilling so far has indicated reserves of 337 tonnes of gold. The joint venture participants plan to present a draft feasibility study on a mine for the deposit by next March.

A statement by MIM and Mr John Kaputin, Minerals and Energy Minister, did not reveal the break-up of the proposed shareholding or the size of the float but PNG officials have said MIM plans to retain 60 per cent of Highlands Gold. The rest will be offered to MIM shareholders, PNG residents and foreign institutions.

The proposal, announced a year ago, has been delayed by disagreement over the percentage of Highlands Gold to be allotted to PNG residents and the question of liability to stamp duty on the transfer of the Ferguson stake to Highlands Gold from MIM. The government also wanted to avoid a political row like the one which surrounded the allocation of shares to a minister last year in the flotation of Placer Pacific. Placer is a one-third member of the Ferguson joint venture.

The other one-third participant in the venture is Kensington Goldfields Consolidated.

Mr Norm Fossell, a director of MIM, said Highlands Gold could now plan its share issue and start exploring and developing projects in PNG.

## Higher prices boost Kanhyam

BY JIM JONES IN JOHANNESBURG

KANHYAM, the South African cattle feedlot and coal mine operator, benefited from higher meat prices in the eight months to August and expects further turnover and profit improvements during the current year.

The directors say, however, that the turnover increase was based solely on higher prices, not on greater volumes. The year-end has been changed to August from December.

Turnover was R430m (\$302m) during the eight months against R513m in calendar 1986, the eight months' operating profit was R14.3m against the previous year's R11.5m and the pre-tax profit was R8.3m against R5.6m.

The directors expect meat prices to continue to rise due to livestock shortages. Cattle farmers are rebuilding herds which were reduced during the drought. Higher red meat prices have led to consumer resistance

and Kanhyam's directors say that increases in consumer spending have not had a significant effect on the company's market.

Coal mining income was reduced sharply following the sale of a colliery and as a result of poor export prices.

Net earnings were 14 cents an ordinary share against a deficit of 4.1 cents in 1986. An ordinary dividend has not been declared but interim preference dividends have been resumed.

## BHP weighs further reshape

BROKEN HILL, Proprietary, Australia's biggest company, is weighing possible further restructuring of its oil, mineral and steel businesses, Reuters reports from New York.

Mr Geoffrey Healey, executive general manager of finance, told an Australian investment conference that BHP had already undertaken streamlining measures and was conducting further studies to determine if it will spin off or restructure its core businesses, as it recently spun off its gold business to shareholders.

He said the group had "no pre-conceived notions" about what the study will reveal. At the same time, BHP plans to decide by next June whether to begin mining for copper at its 60 per cent-owned Escondido mine in Chile.

The mine, 30 per cent-owned by RTZ of London, will cost more than US\$1bn to start up, he said. Mitsubishi Corporation of Japan owns the remainder of the mine.

Escondido has a massive ore body of nearly 7.8m tonnes, the largest undeveloped copper ore body in the world. Once started, the mine would be an extremely low-cost producer and very profitable at today's prices, he said.

## Hooker buys 58% of B Altman

HOOKE CORPORATION, the Australian property group, has acquired a 58 per cent stake in B Altman, a US department store chain, for an undisclosed sum, Reuters reports from Sydney.

Hooker said in a statement that it bought the majority stake from an investor group which had acquired the six-store chain in 1985 from the Altman Foundation, a charity set up by Mr Bernard Altman, the founder, who died in 1913 without heirs.

Hooker said that the purchase, which is its fourth major US retailing acquisition in the last year, was in line with its plans to become a force in US specialty retailing. It said B Altman had an annual turnover of about US\$300m.

## NEW INTEREST RATE

**HomeOwner Reserve Rate**  
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Listing: Düsseldorf and Frankfurt am Main stock exchanges

| Deutsche Bank<br>Aktiengesellschaft                    | Commerzbank<br>Aktiengesellschaft                               | CSFB-Effektenbank   |
|--|---|---|
| BNP S.A. & Co.<br>(Deutschland) OHG                    | Schweizerische Bankgesellschaft<br>(Deutschland) AG             | S.G. Warburg Securities   |
| Algemeine Bank Nederland N.V.                          | Arrindell und S. Bielefelder, Inc.                              | Baden-Württembergische Bank<br>Aktiengesellschaft               |
| Julius Baer International<br>Limited                   | Banco Commerciale Italiano                                      | Banco del Gottardo  |
| Banco della Svizzera Italiana                          | Bank Brussel Lambert N.V.                                       | Bank für Gemeinwirtschaft<br>Aktiengesellschaft                 |
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| Barclays de Zeele Waad<br>Limited                      | Baring Brothers & Co.,<br>Limited                               | Bayerische Hypothek- und Wechsel-Bank<br>Aktiengesellschaft     |
| Bayerische Landesbank<br>Girozentrale                  | Bayerische Vereinsbank<br>Aktiengesellschaft                    | Bayrischer Bank<br>Aktiengesellschaft                           |
| Berliner Handels- und Finanzbank<br>Aktiengesellschaft | Cassino & Co.   | Chase Bank Aktiengesellschaft                                   |
| Citibank<br>Aktiengesellschaft                         | Compagnie de Banque<br>et d'Investissements, CIL                | Commerzbank-Bankverein  |
| Credit Commercial de France                            | Credit Lyonnais S.A. & Co (Deutschland) OHG                     | Deutsche Girozentrale<br>- Deutsche Girobank -                  |
| Dahle Europe (Deutschland) GmbH                        | Dellbank & Co.  | Bank für Sozialwirtschaft<br>Aktiengesellschaft                 |
| DG Bank<br>Deutsche Genossenschaftsbank                | ERC Amro Bank Limited   | Bank für Sozialwirtschaft<br>Aktiengesellschaft                 |
| Europamobiliare S.p.A.                                 | Generale Bank   | Goldman Sachs International Corp.                               |
| Groupement Privé Genevoise S.A.                        | Handelsbank N.W. (Overseas)<br>Limited                          | Georg Heide & Sohn Bankiers<br>Kommanditgesellschaft auf Aktien |
| Heidelberger Landesbank<br>- Girozentrale -            | Industriebank von Japan (Deutschland)<br>Aktiengesellschaft     | Industrie Bank für San Paolo di Torino                          |
| Hölder, Penabaz International<br>Limited               | Kleberbank Bank<br>Limited                                      | Kreditbank S.A. Luxembourgeoise                                 |
| Bankhaus Hermann Lampe<br>Kommanditgesellschaft        | Landesbank Rheinland-Pfalz<br>- Girozentrale -                  | Lazard Frères et Co   |
| Leu Securities Limited                                 | McLeod Young Weir International<br>Limited                      | Meyer, Rock & Co.   |
| Merrill Lynch International & Co.<br>Limited           | B. Metzler zool. Sohn & Co.<br>Kommanditgesellschaft auf Aktien | Sammel Montage & Co.<br>Limited                                 |
| Morgan Grenfell & Co.<br>Limited                       | Morgan Guaranty GmbH  | Morgan Stanley GmbH   |
| The Nikko Securities Co., (Deutschland) GmbH           | Nomura Europe GmbH  | Oesterreichische Landesbank<br>Aktiengesellschaft               |
| Sal. Oppenheim jr. & Cie.                              | Orion Royal Bank<br>Limited                                     | Paribas & Co.   |
| Salomon Brothers AG                                    | J. Henry Schroder Wagg & Co.<br>Limited                         | Schweizerische Hypothek- und Wechselbank                        |
| Schweizerischer Bankverein (Deutschland) AG            | Shearson Lehman Brothers International<br>Limited               | Société Générale - Française Bank & Co.                         |
| Swiss Cantonalbanks                                    | Swiss Volksbank   | Trieste & Burbanck KGaA   |
| Vereins- und Westbank<br>Aktiengesellschaft            | M.M. Warburg-Brinkmann, Witz & Co.                              | Westdeutsche Landesbank<br>Girozentrale                         |
| Westfälische<br>Aktiengesellschaft                     | Wood Gandy Inc.   | Yamachi International (Deutschland) GmbH                        |



## INTL. COMPANIES &amp; FINANCE

## Swedish banks' earnings suffer modest setback

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SVENSKA HANDELSBANKEN and PKbanken, Sweden's second and third largest banks, both suffered a drop in group operating profits in the first eight months of the year. Handelsbanken group operating profits fell by 10 per cent from last year's record level, to SKr2.01bn (\$312m) compared with SKr2.24bn in the corresponding period last year. Return on adjusted equity fell to 21.9 per cent, from 23.4 per cent a year earlier.

PKbanken, which is 84 per cent state-owned, said its operating profits in the first eight months fell by 6 per cent, to SKr1.392bn from SKr1.45bn. The bank forecast that full-year profits would exceed the 1986 level, however, helped by the rapid recovery of PKfinans, its finance company subsidiary, from last year's loss.

PKbanken is selling its 50 per cent holding in the mortgage bank Svensk Bostadsfinansiering

ing (Bofin) to its two main competitors Handelsbanken and Skandinaviska Enskilda Banken in a deal worth SKr550m. The disposal will give the bank an after-tax capital gain of about SKr290m.

PKbanken said that its net interest income had risen by 18 per cent to SKr3.17bn, while lending losses were reduced to SKr353m from SKr580m. It had been impossible to repeat last year's big capital gains on bond sales, however.

Handelsbanken said that its domestic lending rose by 14 per cent in volume, including a 30 per cent jump in lending to households. The rise in volume was accompanied by a narrowing of interest margins, however, in the face of intense competition.

Interest earnings for the group declined slightly to SKr3.13bn from SKr3.12bn. Other income fell by 14.3 per

cent, to SKr1.112bn, partly as a result of lower earnings from money market and bond trading. Credit losses were more than halved to SKr17m from SKr246m.

Gotabanken yesterday bought at auction nearly 13m shares in Fermenta, the embattled Swedish antibiotics and chemicals group.

The shares had been held in collateral for loans of about SKr500m made to Mr Refaat El-Sayed, the former majority shareholder and chief executive in Fermenta who was declared bankrupt last month.

Gotabanken now holds a voting stake in Fermenta of more than 18 per cent. The bank claims that it is still owed about SKr270m by Mr El-Sayed, but it said yesterday that its eventual loss had been more than covered by provisions.

## OEMV in \$77.5m refinery purchase

By Judy Dempsey in Vienna

OEMV, the Austrian state-owned petrochemicals group, has acquired Marathon-Raffinerie, a subsidiary of Marathon Petroleum of the US.

The deal, which will give OEMV a higher profile on the European market, is understood to have cost the Austrian group more than Schibn (\$77.5m).

Marathon-Raffinerie has a staff of about 650 and produces more than 3.4m tonnes of petrochemical products, mostly in diesel and jet sectors. Its turnover last year totalled \$411m.

The transaction suggests that OEMV's profile is being heightened ahead of the partial privatisation due to take place before the end of the year, when the Government plans to sell 25 per cent of OEMV through the Vienna bourse.

The move is seen as a test case of Austria's modest privatisation programme. OEMV is one of the nation's few profitable state companies.

Mr Robert Knes, OEMV's managing director, said yesterday that the company was likely to record an operating profit of Schibn this year, after Schibn in 1986.

He forecast that OEMV would pay a dividend equal to last year's Schibn, which represented a 15 per cent payment on OEMV's Schibn capital.

## Pernod-Ricard midway profits increase 30%

By Our Financial Staff

PERNOD-RICARD, the big French producer of alcoholic and soft drinks, reported a 30 per cent jump in its earnings from current operations in the first half of this year, to FF612m (\$99.8m) from FF470m in the same period last year.

It said it was maintaining its forecast of an 8 per cent rise in income from current operations for 1987, compared with 1986, and said consolidated net income was still expected to grow by more than 10 per cent.

The company said the sharp rise in earnings in the first half was based on a 9.5 per cent gain in revenue, to FF1.4bn.

Pernod said the higher revenue took into account the consolidation of two acquisitions by the group since January.

CGE, the big electrical group, reports first-half 1987 net profits of FF1.29bn, against FF1.07bn in the same period last year.

## Pohjola proposes \$110m rights

By Our Financial Staff in Helsinki

POHJOLA, Finland's leading insurance company, plans to raise FM488.5m (\$110m) through a rights issue of 8.1m B shares at FM60 each.

Subscriptions for the one-for-four issue open on November 10. Before the announcement of the issue, Pohjola's B shares were traded at FM120 on the Helsinki stock market.

Pohjola's shares are exempt from restrictions on foreign ownership in Finnish companies which limit to a maximum of 40 per cent, the level of share

holdings that can be held by non-residents.

According to Mr Aaro Sasi, Pohjola's finance director, the funds to be raised by the issue will be used on the domestic capital markets. They will be targeted at investments in property and securities.

The issue is managed by Kansallis-Osake-Pankki of Finland and the London-based Swiss Bank Corporation International.

The financing comes at a time when Pohjola's main rival in Finland, Sampo, is changing its

status from a mutual insurance company to that of a limited liability company by issuing shares to existing insurance policyholders.

Sampo's total capital will initially amount to FM60m. It will probably be listed on the Helsinki Stock Exchange in the next few months.

Pohjola improved profits for 1986 but paid a maintained FM0.90 a share dividend.

Premiums grew by 12 per cent, to FM3.56bn, and earnings before allocations moved up to FM134m, or FM4.50 a share.

## Strong foreign demand for Suez shares

By Our Financial Staff

FOREIGN demand for shares in Cie Financiere de Suez is strong and the public offer has been oversubscribed 84 times, Banque Indosuez, the lead underwriter, said.

Suez capital, after conversion of non-voting shares and a capital increase ahead of privatisation, is 64.65m shares, with a nominal value of FF775 each. Of this, 5.65m shares will be offered directly to the public, the rest via underwriters abroad.

The offer is open until October 17.

## French defence group shows first-half gain

BY OUR FINANCIAL STAFF

MATRA, the French state-owned defence and electronics group which is about to be privatised, says that the group share of consolidated net income edged up to FF1.1bn (\$1.6m) in the first half of 1987, against FF744m a year earlier.

The group said the advance came on a first-half revenue gain to FF7.97bn from FF7.65bn.

Matra said it expected revenue to rise more steeply in the current half as a result of anticipated billings for defence-oriented orders that are currently

being executed.

There were also exceptional costs that would not be repeated in the second half. The negative impact of subsidiaries on its results would also be lower.

It said this was expected to help push group share of consolidated net income for the year to about FF2.00bn, compared with the FF1.53bn profit recorded for 1986.

CGE, the big electrical group, reports first-half 1987 net profits of FF1.29bn, against FF1.07bn in the same period last year.

The National Office for FAIP&amp; and Exports

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## State to sell off 25% stake in Austrian Airlines

BY OUR VIENNA CORRESPONDENT

THE Austrian Government is to sell 25 per cent of its share in the state-run Austrian Airlines as part of a programme to privatise partially a number of nationalised industries.

The sale, which will take place next May, is intended to raise revenue to meet the Government's expenditure plans as well as reduce the large budget deficit to Sch76bn (\$3.78bn) during 1988.

Dr Winfried Braunmann, of the Finance Ministry, said the Government was also anxious to promote a wider public interest in share-buying.

"We want to keep the Austrian bourse active now that several companies are beginning to

trade there," he said.

Under the terms of recently-passed legislation, the Government will retain a 51 per cent stake in the state-owned industries.

The shares being issued by Austrian Airlines will have a total nominal value of Sch450m, out of a total nominal capital of Sch1.6bn.

Officials from the Finance Ministry and from Austrian Airlines are reluctant to say how much revenue the Government will gain from the sale.

The airline, which was nationalised in the 1960s after recording heavy losses, clawed its way back into the black in 1971. Last year, declared profits amounted to more than Sch96m.

## Poulenc ahead mid-term

BY PAUL BETTS IN PARIS

RHONE-POULENC, the French state-owned chemicals group, yesterday reported a 15 per cent rise in first-half net profits, to FF1.14bn (\$188m) from FF988m in the first six months of last year.

Consolidated sales increased by 2.7 per cent to FF22.78bn in the half year, compared with FF21.98bn.

The company also reported a

general improvement in its balance sheet, with debt charges falling to FF778m from FF817m. The improvement is the combined result of the group's capital increase this spring and higher income.

Rhone-Poulenc is campaigning to be the next state-owned industrial group to be privatised in the Government's sell-off programme.

State Investment Bank  
(Devlet Yatirim Bankasi)

of

## The Republic of Turkey

will operate as

Export Credit Bank of Turkey  
(Türkiye İhracat Kredi Bankası A.Ş.)

The undersigned acted as financial advisor to State Investment Bank and acts as financial advisor to Export Credit Bank of Turkey.

LAZARD FRÈRES &amp; Co.

September, 1987

## NACIONALE FINANCIERA S.A.

US\$ 125,000,000  
Floating Rate Note Due 1988  
(Extendable at the Noteholders Option to 1991)

In accordance with the terms and conditions of the notes, notice is hereby given that the rate of interest for the period 30 September 1987 to 31 March 1988 was fixed at 8.4375 per cent per annum.

On 31 March 1988 interest of US\$42.88 per US\$1,000 nominal amount of the notes and US\$428.81 per US\$10,000 nominal amount of the notes will be due against coupon No. 14.

Unless previously redeemed or purchased and cancelled, the notes will be redeemed at their principal amount on the interest payment date falling in March 1988, provided that any noteholder may, at his option and expense, unless his note has been previously called for redemption, extend the maturity thereof to (and only to) the interest payment date falling in March 1991 by presenting such note to any paying agent during the period beginning on the interest payment date falling in September 1987 and ending on the seventh business day prior to the interest payment date falling in March 1988 with the notice of extension, thereon duly completed. Upon such presentation the note will be entitled to validate such extension and the six additional interest coupons maturing on the interest payment dates falling in the period from September 1988 to March 1991 inclusive will be validated (and unless and until so validated shall not be valid for any purpose whatever). In relation to any note so validated, references to maturity or redemption shall be construed to take account of such extension.

Swiss Bank Corporation International Limited  
Agent Bank

## Company Announcements

TO ALL SHAREHOLDERS IN  
PALMER FINANCIAL CORPORATION  
(Formerly Transworld Energy Corporation)

From October 1st 1987 London & Norwich Investment Services Limited intend to make a market in the shares of Palmer Financial Corporation on a matched bargain basis (to the extent to which from time to time the law allows). In order to assist this process and to allow London & Norwich Investment Services Limited to verify the records of Palmer Financial Corporation, they request all shareholders to contact them at:

London & Norwich Investment Services Limited  
19 St James's Square  
London SW1 4JE  
Tel: 01-830 6133

This announcement is made by London & Norwich Investment Services Limited (a licensed dealer in securities) acting as agent for Palmer Financial Corporation and is for information purposes only. It is not intended to constitute an offer or invitation to subscribe or purchase shares. Palmer Financial Corporation is a major shareholder of London & Norwich Investment Services Limited.

## BankAmerica Corporation

(Incorporated in the State of Delaware)

U.S. \$400,000,000

Floating Rate Subordinated Capital Notes Due 1987

Holders of Notes of the above issue are hereby notified that for the next Interest Sub-period from 8th October, 1987 to 9th November, 1987 the following will apply:

1. Interest Payment Date: 7th December, 1987
2. Rate of Interest for Sub-period: 8 1/4% per annum
3. Interest Amount payable for Sub-period: US \$375.00 per US\$ 50,000 nominal
4. Accumulated Interest Amount payable: US \$682.29 per US\$ 50,000 nominal
5. Next Interest Sub-period will be from 9th November, 1987 to 7th December, 1987.

Agent Bank  
Bank of America International Limited



## United Kingdom

U.S. \$2,500,000,000

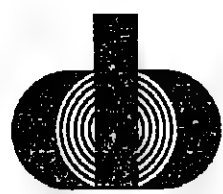
Floating Rate Notes Due 1992

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 7th October, 1987 to 7th January, 1988, the Notes will bear interest at the rate of 8 1/4% per cent. per annum. Coupon No.9 will therefore be payable on 7th January, 1988, at the rate of US\$10,461.81 from Notes of US\$500,000 nominal and US\$209.24 from Notes of US\$10,000 nominal.

S.G. Warburg &amp; Co. Ltd.

Agent Bank





# Consolidated-Bathurst Inc.

## NOTICE OF PARTIAL REDEMPTION FOR MANDATORY SINKING FUND TO THE HOLDERS OF 17 1/2% SERIES I DEBENTURES DUE NOVEMBER 15, 1988

NOTICE IS HEREBY GIVEN pursuant to the mandatory sinking fund provisions relating to the 17 1/2% Series I Debentures due November 15, 1988 (the "Series I Debentures") of Consolidated-Bathurst Inc., that the following Series I Debentures, in the aggregate principal amount of U.S.\$10,000,000 in coupon bearer form in the denomination of U.S.\$1,000 each and bearing the following distinguishing numbers, namely:

|    |      |      |      |      |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
|----|------|------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1  | 1007 | 2278 | 3884 | 5008 | 6888 | 7721 | 8803 | 10547 | 14513 | 15781 | 17223 | 18806 | 19778 | 21081 | 22488 | 23733 | 24808 | 25933 | 27041 | 28118 | 29193 | 30268 | 31343 | 32418 | 33493 | 34568 | 35643 | 36718 | 37793 | 38868 | 39943 | 41018 | 42093 | 43168 | 44243 | 45318 | 46393 | 47468 | 48543 | 49618 | 50693 | 51768 | 52843 | 53918 | 54993 | 56068 | 57143 | 58218 | 59293 | 60368 | 61443 | 62518 | 63593 | 64668 | 65743 | 66818 | 67893 | 68968 | 70043 | 71118 | 72193 | 73268 | 74343 | 75418 | 76493 | 77568 | 78643 | 79718 | 80793 | 81868 | 82943 | 84018 | 85093 | 86168 | 87243 | 88318 | 89393 | 90468 | 91543 | 92618 | 93693 | 94768 | 95843 | 96918 | 97993 | 99068 |
| 2  | 1008 | 2279 | 3885 | 5009 | 6889 | 7722 | 8804 | 10548 | 14514 | 15782 | 17224 | 18807 | 19779 | 21082 | 22489 | 23734 | 24809 | 25934 | 27042 | 28119 | 29194 | 30269 | 31344 | 32419 | 33494 | 34569 | 35644 | 36719 | 37794 | 38869 | 39944 | 41019 | 42094 | 43169 | 44244 | 45319 | 46394 | 47469 | 48544 | 49619 | 50694 | 51769 | 52844 | 53919 | 54994 | 56069 | 57144 | 58219 | 59294 | 60369 | 61444 | 62519 | 63594 | 64669 | 65744 | 66819 | 67894 | 68969 | 70044 | 71119 | 72194 | 73269 | 74344 | 75419 | 76494 | 77569 | 78644 | 79719 | 80794 | 81869 | 82944 | 84019 | 85094 | 86169 | 87244 | 88319 | 89394 | 90469 | 91544 | 92619 | 93694 | 94769 | 95844 | 96919 | 97994 | 99069 |
| 3  | 1009 | 2280 | 3886 | 5010 | 6890 | 7723 | 8805 | 10549 | 14515 | 15783 | 17225 | 18808 | 19780 | 21083 | 22490 | 23735 | 24810 | 25935 | 27043 | 28120 | 29195 | 30270 | 31345 | 32420 | 33495 | 34570 | 35645 | 36720 | 37795 | 38870 | 39945 | 41020 | 42095 | 43170 | 44245 | 45320 | 46395 | 47470 | 48545 | 49620 | 50695 | 51770 | 52845 | 53920 | 54995 | 56070 | 57145 | 58220 | 59295 | 60370 | 61445 | 62520 | 63595 | 64670 | 65745 | 66820 | 67895 | 68970 | 70045 | 71120 | 72195 | 73270 | 74345 | 75420 | 76495 | 77570 | 78645 | 79720 | 80795 | 81870 | 82945 | 84020 | 85095 | 86170 | 87245 | 88320 | 89395 | 90470 | 91545 | 92620 | 93695 | 94770 | 95845 | 96920 | 97995 | 99070 |
| 4  | 1010 | 2281 | 3887 | 5011 | 6891 | 7724 | 8806 | 10550 | 14516 | 15784 | 17226 | 18809 | 19781 | 21084 | 22491 | 23736 | 24811 | 25936 | 27044 | 28121 | 29196 | 30271 | 31346 | 32421 | 33496 | 34571 | 35646 | 36721 | 37796 | 38871 | 39946 | 41021 | 42096 | 43171 | 44246 | 45321 | 46396 | 47471 | 48546 | 49621 | 50696 | 51771 | 52846 | 53921 | 54996 | 56071 | 57146 | 58221 | 59296 | 60371 | 61446 | 62521 | 63596 | 64671 | 65746 | 66821 | 67896 | 68971 | 70046 | 71121 | 72196 | 73271 | 74346 | 75421 | 76496 | 77571 | 78646 | 79721 | 80796 | 81871 | 82946 | 84021 | 85096 | 86171 | 87246 | 88321 | 89396 | 90471 | 91546 | 92621 | 93696 | 94771 | 95846 | 96921 | 97996 | 99071 |
| 5  | 1011 | 2282 | 3888 | 5012 | 6892 | 7725 | 8807 | 10551 | 14517 | 15785 | 17227 | 18810 | 19782 | 21085 | 22492 | 23737 | 24812 | 25937 | 27045 | 28122 | 29197 | 30272 | 31347 | 32422 | 33497 | 34572 | 35647 | 36722 | 37797 | 38872 | 39947 | 41022 | 42097 | 43172 | 44247 | 45322 | 46397 | 47472 | 48547 | 49622 | 50697 | 51772 | 52847 | 53922 | 54997 | 56072 | 57147 | 58222 | 59297 | 60372 | 61447 | 62522 | 63597 | 64672 | 65747 | 66822 | 67897 | 68972 | 70047 | 71122 | 72197 | 73272 | 74347 | 75422 | 76497 | 77572 | 78647 | 79722 | 80797 | 81872 | 82947 | 84022 | 85097 | 86172 | 87247 | 88322 | 89397 | 90472 | 91547 | 92622 | 93697 | 94772 | 95847 | 96922 | 97997 | 99072 |
| 6  | 1012 | 2283 | 3889 | 5013 | 6893 | 7726 | 8808 | 10552 | 14518 | 15786 | 17228 | 18811 | 19783 | 21086 | 22493 | 23738 | 24813 | 25938 | 27046 | 28123 | 29198 | 30273 | 31348 | 32423 | 33498 | 34573 | 35648 | 36723 | 37798 | 38873 | 39948 | 41023 | 42098 | 43173 | 44248 | 45323 | 46398 | 47473 | 48548 | 49623 | 50698 | 51773 | 52848 | 53923 | 54998 | 56073 | 57148 | 58223 | 59298 | 60373 | 61448 | 62523 | 63598 | 64673 | 65748 | 66823 | 67898 | 68973 | 70048 | 71123 | 72198 | 73273 | 74348 | 75423 | 76498 | 77573 | 78648 | 79723 | 80798 | 81873 | 82948 | 84023 | 85098 | 86173 | 87248 | 88323 | 89398 | 90473 | 91548 | 92623 | 93698 | 94773 | 95848 | 96923 | 97998 | 99073 |
| 7  | 1013 | 2284 | 3890 | 5014 | 6894 | 7727 | 8809 | 10553 | 14519 | 15787 | 17229 | 18812 | 19784 | 21087 | 22494 | 23739 | 24814 | 25939 | 27047 | 28124 | 29199 | 30274 | 31349 | 32424 | 33499 | 34574 | 35649 | 36724 | 37799 | 38874 | 39949 | 41024 | 42099 | 43174 | 44249 | 45324 | 46399 | 47474 | 48549 | 49624 | 50699 | 51774 | 52849 | 53924 | 54999 | 56074 | 57149 | 58224 | 59299 | 60374 | 61449 | 62524 | 63599 | 64674 | 65749 | 66824 | 67899 | 68974 | 70049 | 71124 | 72199 | 73274 | 74349 | 75424 | 76499 | 77574 | 78649 | 79724 | 80799 | 81874 | 82949 | 84024 | 85099 | 86174 | 87249 | 88324 | 89399 | 90474 | 91549 | 92624 | 93699 | 94774 | 95849 | 96924 | 97999 | 99074 |
| 8  | 1014 | 2285 | 3891 | 5015 | 6895 | 7728 | 8810 | 10554 | 14520 | 15788 | 17230 | 18813 | 19785 | 21088 | 22495 | 23740 | 24815 | 25940 | 27048 | 28125 | 29200 | 30275 | 31350 | 32425 | 33500 | 34575 | 35650 | 36725 | 37800 | 38875 | 39950 | 41025 | 42100 | 43175 | 44250 | 45325 | 46400 | 47475 | 48550 | 49625 | 50700 | 51775 | 52850 | 53925 | 55000 | 56075 | 57150 | 58225 | 59300 | 60375 | 61450 | 62525 | 63600 | 64675 | 65750 | 66825 | 67900 | 68975 | 70050 | 71125 | 72200 | 73275 | 74350 | 75425 | 76500 | 77575 | 78650 | 79725 | 80800 | 81875 | 82950 | 84025 | 85100 | 86175 | 87250 | 88325 | 89400 | 90475 | 91550 | 92625 | 93700 | 94775 | 95850 | 96925 | 98000 | 99075 |
| 9  | 1015 | 2286 | 3892 | 5016 | 6896 | 7729 | 8811 | 10555 | 14521 | 15789 | 17231 | 18814 | 19786 | 21089 | 22496 | 23741 | 24816 | 25941 | 27049 | 28126 | 29201 | 30276 | 31351 | 32426 | 33501 | 34576 | 35651 | 36726 | 37801 | 38876 | 39951 | 41026 | 42101 | 43176 | 44251 | 45326 | 46401 | 47476 | 48551 | 49626 | 50701 | 51776 | 52851 | 53926 | 55001 | 56076 | 57151 | 58226 | 59301 | 60376 | 61451 | 62526 | 63601 | 64676 | 65751 | 66826 | 67901 | 68976 | 70051 | 71126 | 72201 | 73276 | 74351 | 75426 | 76501 | 77576 | 78651 | 79726 | 80801 | 81876 | 82951 | 84026 | 85101 | 86176 | 87251 | 88326 | 89401 | 90476 | 91551 | 92626 | 93701 | 94776 | 95851 | 96926 | 98001 | 99076 |
| 10 | 1016 | 2287 | 3893 | 5017 | 6897 | 7730 | 8812 | 10556 | 14522 | 15790 | 17232 | 18815 | 19787 | 21090 | 22497 | 23742 | 24817 | 25942 | 27050 | 28127 | 29202 | 30277 | 31352 | 32427 | 33502 | 34577 | 35652 | 36727 | 37802 | 38877 | 39952 | 41027 | 42102 | 43177 | 44252 | 45327 | 46402 | 47477 | 48552 | 49627 | 50702 | 51777 | 52852 | 53927 | 55002 | 56077 | 57152 | 58227 | 59302 | 60377 | 61452 | 62527 | 63602 | 64677 | 65752 | 66827 | 67902 | 68977 | 70052 | 71127 | 72202 | 73277 | 74352 | 75427 | 76502 | 77577 | 78652 | 79727 | 80802 | 81877 | 82952 |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |



## INTERNATIONAL CAPITAL MARKETS &amp; COMPANIES

## IMI Bank two-year deal marks fixed-rate debut

BY CLARE PEARSON

IMI BANK INTERNATIONAL, the borrowing vehicle for Italian to Mobilare Italiana, the Italian state entity, yesterday came the latest borrower to launch a short-dated Eurodollar bond issue, with a \$200m two-year offering marking IMI's debut in the fixed-rate sector of the market.

Eurobond issuing houses have been concentrating new issues at the short-end of the yield curve as fears of higher interest rates have made longer-dated bonds increasingly hard to sell.

Yesterday, Monday's three-year issue for Toyota Motor Finance (Netherlands) was trading at around 110 basis points, a seven-year deal for Osaka Prefecture, launched the same day, was bid as low as 125 1/2.

IMI Bank International's 9 1/4 per cent bond, which came in the wake of last month's \$1bn three-year deal for the Republic of Italy, was considered fairly priced by the market. But dealers expressed concern that there might be little liquidity in the deal, as other bonds for Italian state entities have tended to trade poorly in the secondary market.

However, Union Bank of Switzerland (Securities), the lead-manager, said it would be quoting a 14 point bid-offer spread in the deal and added that a number of houses with a strong trading presence, such as Merrill Lynch Capital Markets, had joined the group.

The bond was quoted at less 110 bid to its 101 issue price, against 1 1/4 per cent fees.

Meanwhile, seasoned Eurodollar bonds weakened by around 1/4 point. The prospect of yesterday's four-year US Treasury note auction weighed on sentiment, while the Bundes-

bank's move to increase the minimum rate on its latest repurchase agreement to 3.50 per cent, against 3.50 per cent last month, enhanced recent worries of a world-wide trend to higher interest rates.

In the D-Mark market, the Bundesbank's repurchase rate had a slightly negative impact on prices, which softened by around 0.25 points but in low turnover.

CSFB-Effektenbank will launch officially today a DM100m seven-year equity war-

## INTERNATIONAL BONDS

rants bond for Lindt and Sprüngli Finance, a finance company for the food manufacturer. However, the bond was quoted yesterday in the grey market at 105 compared with a par issue price.

The bond carries an indicated 3 1/4 per cent coupon and has a seven-year maturity.

Elsewhere, equity-linked issues were dominating Eurobond new issue activity with the new deals emerging Credit Suisse First Boston led a \$75m convertible for Finanzinvest Capital, the holding company for Arizona Public Service, the US utility.

The 18-year par-priced bond carries an indicated 10 to 10 1/4 per cent coupon, which compares with a 9 per cent yield on the common shares, and the conversion rate will be in the range of 10 to 13 per cent.

In the Eurosterling market, J. Henry Scordar Wagge led a \$40m seven-year convertible bond for the UK subsidiary of Mayne Nickless, the Australian transport and freight forwarding company.

The deal carries an indicated 6 1/4 to 7 1/4 per cent coupon and the conversion premium is indicated in the range of 10 to 15 per cent. Schroeder said it was being placed at par.

Three Japanese companies - Maruetsu, the supermarket group, Seino Transportation, and Bridgestone, the tyre manufacturer - all issued five-year par-priced equity warrants bonds. Maruetsu's bond carries a fixed 3 1/4 per cent coupon, while those of Seino's and Bridgestone's issues are indicated at 3 1/4.

Bridgestone's bond was led by Yamachi International (Europe), Seino Transportation's by Daiwa Europe, and Maruetsu's by Nomura International.

Meanwhile, Yamachi International set the coupon at 3 1/4 per cent and the grey market at 105 compared with a par issue price.

The bond carries an indicated 3 1/4 per cent coupon and has a seven-year maturity.

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## Japan cancels October funding

By Stefan Wagstyl in Tokyo

THE JAPANESE Ministry of Finance has cancelled this month's planned issue of 10-year government bonds, its primary source of long-term funds, because of the recent rapid fall in bond prices.

It is the first time the ministry has scrapped a bond sale since July 1984. A senior official said: "The market situation is unstable. It's not just that prices have fallen but also that they are moving erratically."

In the past month, yields on the benchmark issue, the 8 1/4 1/2 per cent 1998 bond, have risen from around 5.5 per cent to 6.25 per cent at yesterday's close.

Mr Hiromitsu Shimada, a government bond trader at Nikko Securities, the broker which was leading the underwriting of the October issue, welcomed the Government's decision to cancel, saying it would help restore some order in the market.

But he added that there were still investors with large holdings who could well take advantage of any price recovery to cut their losses.

The cancellation is particularly embarrassing for the MoF because 20 per cent of the October issue was for the first time to be sold in US-style auction. In a move which was seen as a further stage in the liberalisation of the Tokyo financial markets. The remaining 80 per cent was due to be sold in the traditional way - by negotiated sale between the MoF and a syndicate led by Nikko Securities.

During several days of tough talks, the ministry tried to persuade the brokers to take the bonds at yields below the long-term prime rate, which stands at 6.7 per cent.

The brokers would not budge, saying they had faced severe difficulties selling September's offering of ¥900bn priced at 4.9 per cent.

Traders say the market is rather confused by the direction of the move. The MoF is believed by traders to be primarily concerned with keeping up the momentum of domestic economic growth. This is in keeping with Japan's promise to the G7 group of leading industrialised nations to raise the prime rate to 6.75 per cent by the end of the year.

But the Bank of Japan has recently indicated that it is growing increasingly concerned about the risk of a resurgence in inflation, possibly fuelled by an over-rapid expansion in money supply.

There have been unconfirmed reports that the central bank might raise the prime rate from the current 6.25 per cent, even though Mr Satoaki Sumita, the governor, said in Washington that he had no plans "at present" to do this.

However, Mr Robert Melnitch, president of the Canadian Bankers' Association, warns that the move may be of limited usefulness. "Most Canadian banks regard that type of business as of rather marginal profitability," he says.

While the commitments undertaken in the free trade pact announced at the weekend fall well short of full reciprocity in financial services from the Canadian viewpoint, the US has also agreed to treat Canadian financial institutions like their US counterparts "with respect to any changes in the Glass-Steagall Act governing the relationship between the banking and securities industries."

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## George Graham on the problems of the French bond market

## Investors in need of a signal

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With the US market pointing the way to higher interest rates, the French market has taken the hint and gone a stage further.

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Other economists hold out high hopes that the French Government will meet its goal of reducing its inflation gap with West Germany.

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If there are many in Paris who share this bullish analysis, no-one seems willing to make the first move. Long-term investors, badly burnt by the sharp rise in rates so far this year, need a concrete signal before they are ready to plunge back into the market.

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The Government - followed now by some parastatal institutions - including, ironically, Credit Foncier - now uses the auction system for all of its funding requirements, putting an end to the commissions and advertising that used to ensure that state bonds were firmly placed with individual investors.

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## UK COMPANY NEWS

## Strong footwear growth boosts Sears to £93.3m

BY DAVID WALLER

Sears, the UK's largest retail group in which the Australian entrepreneur Mr Robert Holmes a Court holds an 8.2 per cent stake, yesterday announced interim pre-tax profits up by 15 per cent despite difficult trading conditions.

Although the £12.2m increase in pre-tax profits to £93.3m was in line with City expectations, the results for the six months to the end of July were greeted with disappointment.

Analysts complained about the absence of detailed financial disclosure and a generally unexciting performance from the group whose interests span from Selfridges and Lewis's to Dolcis and Freeman Hardy Willis.

Mr Geoffrey Maitland Smith, Sears chairman and chief executive, said that Sears was not alone amongst the retailers in experiencing increasing competitive trading conditions in the first half. "Like other companies, we have been living on a

knife edge," he said, "and you just can't relax. But it's great fun."

He said that he did not think that Mr Holmes a Court's intentions were to make a bid for Sears, but was more likely to be looking for a dealing profit on his investment. He confirmed that Sears had had no further communication with Mr Holmes a Court since his 8.2 per cent stake was disclosed on August 28.

Of total operating profits of £83.4m (£78.5m), achieved on turnover of £1.1bn (£1bn), the strongest growth came from footwear retailing, which includes Saxone, Dolcis, and Freeman Hardy Willis. Margins and volume improved in this recently restructured division, leading to a 23.4 per cent increase to £25.1m.

Turnover was undisclosed, but European sales grew by 8 per cent while sales in the US were up by 2 per cent.

Stores, fashion and specialty

retailing, incorporating, amongst others, Selfridges, Lewis's, Mappin & Webb and Millets, made profits of £22.8m, against £18.6m in the comparable period last year.

Profits from licensed retailing, predominantly those of William Hill, declined by £1.2m to £12.5m. Mr Maitland Smith said that this gave no cause for concern as the first half last year was exceptionally buoyant.

Housebuilding and property investment profits rose from £11.7m to £13.0m, reflecting excellent trading conditions in the Home Counties. Completions should amount to 1100 houses by the end of the financial year, against 900 last year.

Interest income was £400,000, against a charge last year of £6.1m. Earnings per share advanced 17 per cent to 4.1p, and the interim dividend was raised by 35 per cent to 1.35p per share.

See Lex

## FT group pays £10m for online information

By Raymond Snoddy

THE Financial Times group has bought the online information business of Datasolve, Thorn EMI computer services company, for £10m.

The move represents a major increase in the FT's involvement in electronic publishing. Datasolve Information Online has about 2,500 direct subscribers, with several thousand others accessing its 800m-word database through gateways, and claims it is the UK market leader.

The company is best known for World Reporter, which gives access to the full text of newspapers and magazines, including the FT, and MAGIC, a service specialising in information on advertising and marketing industries.

There will be an initial cash payment of £12m with the remainder linked to revenue generated by the business over the next 3½ years.

Mr Frank Barlow, chief executive of the Financial Times group, said yesterday the acquisition would allow the FT to take more initiatives in the area of electronic publishing.

"Together with existing and other planned ventures it provides a platform for dramatic growth in this strategically vital area. This is a logical expansion of our existing paper-based and electronic information services," he said in a statement.

During the recent controversy over the acquisition of Mr Rupert Murdoch's 15 per cent of Pearson, the conglomerate that owns the Financial Times, some commentators suggested the group had been relatively slow in exploiting the database potential of its information.

The company said yesterday the Datasolve Online acquisition, which has been negotiated for several months, signalled a planned expansion of FTBI's exploitation of electronic opportunities. This included, in the near future, the integration of share price and company financial information with the present full text service.

## Alastair Morton quits GPG

By Hugo Dixon

MR Alastair Morton has resigned as chairman of Guinness Peat Group, following the announcement that the company's bid for the financial services group became unconditional.

Six non-executive directors of Guinness Peat have offered to resign and their resignations are expected to be accepted. Equitcorp, which holds 55 per cent of Guinness Peat, is looking for a British resident to replace Mr Morton.

Mr Robert Maxwell, who holds 15 per cent of Guinness Peat, said yesterday that he regarded his stake as a long-term investment but would not join its board.

## Alice Rawsthorn on the uncertain outlook for Empire Stores

## An imperial change of strategy

IN 1831, Mr Antonio Fattorini, who had come to Britain after the Napoleonic Wars as an immigrant from Northern Italy, forsook his career as a travelling pedlar and market stallholder to lease a small lock-up shop in Leeds.

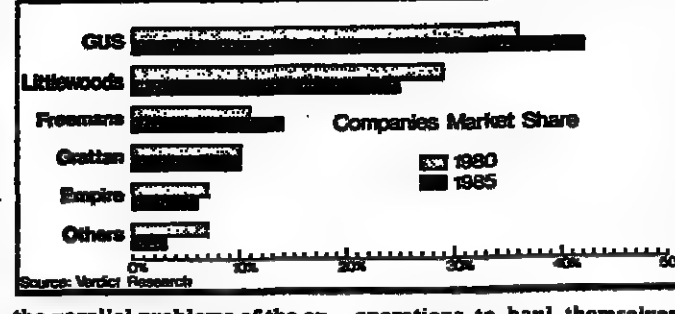
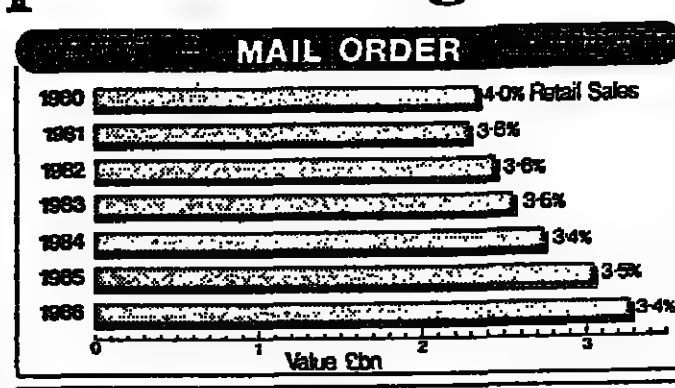
The lock-up shop laid the foundations for Empire Stores, one of the five giants which bestrode the £3.3bn mail-order industry. Yet today Empire is under siege. Last week it unveiled a disastrous set of interim results and the only remaining director from the Fattorini family resigned. The share price plunged on the announcement but has soared ever since, as Empire has become embroiled in bid rumours.

Takeover talk is scarcely a novel phenomenon to Empire Stores. In 1982, the board negotiated an agreed merger with Great Universal Stores, the colossus of the mail-order sector, only to see it scuppered by the Monopolies & Mergers Commission. The board then spurred the Sears Group, only to see it sell its holding to the ubiquitous Mr Robert Maxwell.

The current roll call of potential predators embraces Next, which is developing its mail-order interests through its recent merger with Grattan; the Burton Group, which already allies with Empire in merchandise; and even GUS, which has been in the market for some time.

Empire, like most of the other mail-order houses, flourished in the 1960s and 1970s as the living standards of its core customers the conspicuous consumers with had debt problems. But these same working-class customers bore the brunt of the economic recession of the late 1970s and early 1980s.

The industry suffered from



the parallel problems of the explosion in consumer credit - hitherto offering credit had been one of its chief selling points - and the "retailing revolution" pioneered by groups like Next and Burton which left mail order looking distinctly dull by comparison.

Many of the small mail-order companies collapsed. The bigger groups hauled themselves out of the doldrums by getting to grips with debt problems, cutting costs and using computerisation to improve stock control. Moreover, the large groups could rely on the economies of scale inherent in their huge

operations to haul themselves through the slump. As the "baby" of the five mail-order giants, Empire was the least favourably placed to take advantage of these economies of scale. Similarly, its customer catchment - the least affluent of the "big five" - suffered particularly badly in the recession and left it with a prolonged debt problem.

Empire has also been burdened by what one analyst called "the absence of decent leadership or strategic direction". So it was much slower in implementing the administrative changes which steered the rest of the sector to recovery in

the mid-1980s: cutting costs, introducing direct sales to companies, improving stock control. These changes are now in place and Empire's profit margins have improved accordingly. But the group has been similarly slow in adopting the new marketing plays - sharper presentation, use of promotional leaflets and new catalogue concepts - which have buoyed its competitors.

Earlier this summer Empire recruited a new managing director - Mr Michael Harris, who was drafted in from GUS, charged with a brief to tackle its problems. Mr Harris is now in the throes of what Empire has called a "thorough review" of the business. But he has already taken action by closing two of the three loss-making specialist specialist catalogues, and appointing Mr John Maile, a former colleague at GUS, as marketing director.

Any potential predator for Empire would need to convince the shareholders that its plans for the company, now capitalised at more than £100m, would be better than those of the new management team. It would also face the obstacle of the share structure. Three investors - Vindex and Gecco, the Dutch and Italian retailing groups, together with GUS - collectively hold the bulk of Empire's equity.

Any bid would be unlikely to succeed without winning the agreement of at least two of the three large shareholders. As one analyst put it: "Whether Empire can remain independent in the long term is one question; whether Vindex, Gecco or GUS will be prepared to sell now is quite another."

## Savage trebles to £2.3m after purchases

BY MONA THOMPSON

Savage Group, the international DIY and hardware group, yesterday announced pre-tax profits which have almost trebled from £802,000 to £2.31m for the year ended June 30, 1987. Sales rose 63 per cent to £18.42m against £11,000m last year.

Mr David Stephens, finance director, said yesterday: "The underlying business has continued to grow, the acquisitions of the past year have been made very successfully and the overseas operations have continued to improve."

The shelving side of the business represented 70 per cent of sales, a figure expected to drop to 58 per cent this year following the £2.8m acquisition of DC Services, the electrical products distributor, in August, and the £3.78m purchase in April of Douglas Kane, supplier of bath seating and tile-edging strips.

The tax charge was £310,000 compared with £265,000 last year, one share moved up from 17.5p to 24.4p and the directors have proposed a final dividend of 3.0p

(0.5p), bringing the total for the year to 4.5p, against 0.5p last year. The company has also proposed a 1-for-1 bonus issue.

Savage has stated that its aim is to become a major player in the European hardware market and these figures indicate it is certainly on the right track. Acquisitions hungry, it bought six companies in the last financial year, one of which was an expensive, DCS - and has no plans to let up. Targeting both the UK and Europe, its ideal

companies are those selling low tech, niche products in a huge market, when now available to the B&Q group, for example, lists 30,000 items. The company has a strong management team and its confidence in reaching its aim seems justified. After some profit taking, the share price closed at 61p yesterday, down 15p. The City, looking to see the full benefit of the more recent acquisitions, is forecasting pre-tax profits for this year of £2.7m. This produces a prospective p/e of 24, fair value given the growth prospects.

## Aurora gains control of Hampton Trust

Aurora Group, the New Zealand property and investment group, yesterday announced it had acquired 75 per cent of Hampton Trust, the UK property investment group.

Mr David Stephens, finance director, said yesterday: "The underlying business has continued to grow, the acquisitions of the past year have been made very successfully and the overseas operations have continued to improve."

Aurora has said it intends to retain a 50 per cent stake in Hampton with any shares above that level to be placed by ANZ.

## Ash &amp; Lacy rises to £1.65m

Ash & Lacy, maker of perforated metal, said yesterday that its profits had risen to £1.65m for the year ended June 30, 1987, up from £1.1m in 1986.

The directors lifted the interim dividend from 11p to 12p and after tax of £618,000 compared with £580,000 last time, earnings per share moved up from 17.5p to 24.4p.

Mr Fane Vernon, chairman, said that three of the four group

activities had continued the growth which they had shown in recent years. Galvanising, perforating and expanding metal, and non-ferrous metal, and stainless steel stockholding had each returned a strong contribution to group profit and an increase over the previous year.

He said the company had taken further steps to widen the base and improve the performance of its fourth activity, steel products. The new factory of Huarral, its joint venture

with Huarral Oy of Finland, was opened in July. It had also bought Prince Construction in March and Bell Contract Installations in July. These three companies and Huarral were expected to contribute to an improving performance by Ash & Lacy Steel Products in the future.

In May, the company bought Plymouth Galvanizing for £100,000 and Mr Vernon said it was actively pursuing a number of other possible acquisitions.

## Micro back to interim profit

Micro Focus, the computer software house, announced its first interim pre-tax profit since 1984 yesterday, notching up a figure of £124,000 compared to a £462,000 loss in the first half last year.

The result confirms the signs of a recovery indicated when the group reported a profit of £153,000 in last year's second half. Micro Focus was a stock market favourite until May 1986 when it announced full year profits of £721,000 compared with expectations of £4m plus - causing the shares to fall 56 per cent in one day.

Net revenue for the six months to July 31 rose from £5.5m to £8.07m, thanks largely to a doubling in the sterling value of sales in Japan and a 26 per cent increase in the US. Both sales were slightly higher in local currency terms.

The group received a boost in April when it was announced that its version of the computer language COBOL had been chosen by IBM for its new personal computer. The benefits of the new package should begin to be seen in the second half but should flow through fully next year.

The company is also now able to adapt the COBOL for other manufacturers' hardware including the new Reduced Instruction Set Computers (RISCs).

Mr O'Grady, the chairman, said that the prospect for the rest of the year looked good. After tax of £35,000 (credit £12,000) and minorities of £17,000 (£28,000), earnings per share were 0.1p (loss 4.1p). The company has never paid a dividend.

Analysts are looking for pre-tax profits of £1m at the full year stage.

## ATA makes up lost ground

ATA Selection, the USM-quoted recruitment consultancy, has more than made up the ground lost a year ago with a record interim pre-tax profit of £337,000 for the six months to June 28 compared with the depressed £80,000 for the corresponding period of the previous year.

The results have been prepared on a merger basis of ac-

counting Broadcast Finance, the instalment credit group acquired in May, came in with a six months contribution. For the year to June 28, Broadcast produced a profit of £285,000 compared with a forecast of £235,000.

Mr Simon Greenly, chairman, said the aim was to develop three areas of operation: hu-

man resources, financial services and corporate communications. Human resources, the core business, is now well set for expansion. The interim dividend is raised from 0.6p to 0.7p.

Turnover rose from £1.7m to £2.05m; tax took £119,000 (£81,000) leaving attributable profits of £16,000 (£28,000) for earnings of 1.52p (0.25p).

## British Fittings in £3.5m buy and makes £6.7m rights issue

British Fittings Group, Birmingham-based stockholder and industrial equipment distributor, is planning to expand its business by acquiring a £3.5m rights issue. The moves were announced at the same time as reporting a 24 per cent advance in interim pre-tax profits.

Fittings, formerly Astbury and Maceley (Holdings), is buying Harben Systems, maker of high pressure water technology products. The consideration is being satisfied by £350,000 cash and the balance by the issue of 1.2m new shares, representing 11.8 per cent of the enlarged capital.

In 1986 Harben achieved pre-tax profits of £94,000 on turnover of £2.44m. For the first six

months of this year the pre-tax figure had risen to £250,000 and the directors have warranted that £900,000 will be achieved in 1988.

Directors said that the plant and tool hire division of Fittings had expanded rapidly in recent years mainly related to Harben products. In 1986 the hire subsidiary of Harben was acquired followed by the purchase of the new division of Harben Pumps (Scotland).

The rights issue involves the issue of 7.04m convertible preference shares at 100p on the basis of three convertible for every four ordinary held. It is being underwritten by Smith Keen Cutler who are also brokers. The shares will be convert-

ible between 1992 and 2007 on the basis of 30 ordinary shares for 100 convertibles.

The cash is being used to repay borrowings and further working capital. Directors said that in the past three years about £2.15m had been spent on acquisitions and the purchase and improvement of freehold premises. A recent valuation of the group properties showed a value of £4.57m compared with book value of £4.15m.

In the six months to the end of June 1987 Fittings reported pre-tax profits of £125m (£1.01m) on turnover up by 29 per cent to £17.5m (£13.4m). Earnings per 20p share were 8.06p (6.77p) and the interim dividend is being raised to 1.37p (1.25p).

## Rowntree buys Richoux restaurants for £5.2m

BY LISA WOOD

Rowntree, the York-based confectionery group, has bought the six-branch strong Richoux restaurant business for £5.2m. The deal will be paid for in cash and new Rowntree shares.

The deal is Rowntree's first venture into the restaurant business but fits into its strategy of developing focused food retailing concepts such as the Original Cookie Company.

Rowntree said Richoux operated high class restaurants in which specialised in light meals

and traditional English dishes. In the year to September, Richoux made pre-tax profits of about £300,000 on sales of £2.2m. Richoux will continue to be run by Mr Alan da Costa, founder of the chain, and his son Mr Michael da Costa.

Mr Nicholas Nightingale, a Rowntree director, said Rowntree intended to quickly expand the number of Richoux outlets and hoped to triple profits in three years.

## New London Oil

New London Oil, the US oil company listed in London, announced yesterday details of a 26.7m share placing to finance the acquisition of Kenepo Energy Companies, an oilfield services group quoted on NASDAQ.

The share placing will be subject to claw back to New London's existing shareholders on a one-for-three basis at 45p a share.

## Yearlings

The interest rate for this week's issue of local authority bonds is 10½ per cent, showing no change from last week, and compares with 11 per cent a year ago. The bonds are issued at par and are redeemable on October 12 1988. A full list of issues will be published in tomorrow's edition.

## Ward up to £1.98m and looking for acquisitions

Ward Group, steel building-components manufacturer, lifted pre-tax profits from £1.6m to £1.98m in the first half of the year, its first full six months since gaining a full listing last November. Turnover jumped from £28.12m to £24.47m.

The directors declared an interim dividend of 1.5p. Last year Ward paid a total of 1p. After tax of £711,000 (£617,000), earnings per 5p share rose from 5p to 5.5p.

Mr Wilfred Ward, chairman, said that the company was continuing to look carefully at potential acquisitions which would help fulfil its long-term strategic aims. It was confident that the current

trading performance would ensure that 1987 would be another successful year and new activities underway or planned would provide foundations for future growth.

Mr Ward reported that all parts of the group contributed to the improvement with the Atlas businesses in Europe, St. Vincent in France and the US-based companies all performing well.

Operating profit was £1.06m (£1.57m); gain on the sale of investments totalled £104,000 (£115,000); interest received less that paid amounted to £215,000 (£127,000); and attributable profits were up at £1.26m (£965,000).

## Albert Martin moves up 21% and launches £5.1m cash call

Albert Martin, Nottinghamshire-based clothing group which supplies Marks and Spencer, reported taxable profits up by 21 per cent from £225,000 to £268,000 on turnover ahead more than 22 per cent at £23.15m in the first half of the year.

It also announced a £3.1m underwritten rights issue designed initially to reduce net borrowings and to allow pursuit of investment projects without restricting financial flexibility.

The directors declared an interim dividend of 1.4p up from last time's 1.3p. After increased tax of £134,000 (£106,000), earnings per 20p ordinary share remained unchanged at 3.8p.

Mr Michael Kidd, executive chairman, said that in the UK the company's underwear and leisurewear business made fur-

ther excellent progress while an improved profit was also achieved from distribution of imported merchandise. Margins on knitted underwear, however, were under considerable pressure and this had impacted on the overall results. Profits from overseas operations were significantly higher than 1986, with benefit being derived from the new Macau factory opened last autumn.

Operating profit in the UK amounted to £294,000 (£282,000) on turnover of £23m (£18.7m) and in the Far East to £402,000 (£231,000) on £2.18m (£2.15m).

Mr Kidd said that Martin was now well positioned to continue its growth, with a number of investment projects proceeding or under active consideration.

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This Advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

## Chester Waterworks Company

(Incorporated in England)

Placing of £1,500,000

11½ per cent. Redeemable Preference Stock, 1988/2000 at £100 per cent. (payable as to £10 per cent. on acceptance and as to the balance by 21st December, 1987.)

Application has been made to the Council of The Stock Exchange for the above Stock to be admitted to the Official List. The Stock will be available for subscription on a "first come, first served" basis. The Stock will be issued in the form of debentures, which will be available for subscription on a "first come, first served" basis. The Stock will be issued in the form of debentures, which will be available for subscription on a "first come, first served" basis.

In accordance with the requirements of The Council of The Stock Exchange, two market makers have been offered a participation in the marketing of the Stock.

Particulars of the Stock have been circulated in the Extraordinary General Meeting of the Company, and copies will be available for inspection at the Company's registered office, 10 Old Jewry, London EC2R 6EA, and at the Company's principal office, 45, Boughton, Chester CH3 5AU.

Seymour Pierce Butterfield Ltd., 10 Old Jewry, London EC2R 6EA

or from the Company's principal office, 45, Boughton, Chester CH3 5AU.

7th October, 1987



## Norfolk ponders £617m US hotel bid

By David Walker

Norfolk Capital, the acquisition hotelier, confirmed yesterday that it is seriously considering making a bid for the Westin group of hotels in the US. Industry analysts said that the bid for Westin was unlikely to be for less than \$1bn (£617m) - compared with Norfolk's own market capitalisation of about £125m.

Westin is a subsidiary of Allegis Corporation, which sold Hilton International last month, and Hertz last week, for a total in excess of \$250m.

Westin's portfolio of hotels includes the New York Plaza - was put out to tender a month ago by First Boston, the US investment bank.

More than 30 parties expressed an initial interest, but the list has now been whittled down to about 15 - including Norfolk - following examination of preliminary financial data.

Mr Peter Eyles, Norfolk's managing director, said yesterday that on the basis of the figures seen so far, the acquisition of Westin would enhance Norfolk's earnings and assets per share.

He said that Morgan Grenfell, Norfolk's financial adviser, had indicated that a leveraged bid would be possible, whereby borrowings to finance the purchase would be secured on Westin's assets.

## Blenheim up 60p to 830p

Shares in Blenheim Exhibitions, the conference and exhibition group, rose 60p to 830p yesterday after it announced the acquisition of PEL for up to £2.24m.

Blenheim will be capitalised at more than £27m on completion of the deal, over 15 times the value it was worth when it joined the USM last October with shares at 95p.

PEL, Blenheim's fifth acquisition, promotes and organises exhibitions on topics including distribution, transport, in-restaurant merchandising and business sponsorship. Nacar Exhibitions, PEL's 60 per cent owned subsidiary which will be owned fully by Blenheim under yesterday's deal, organises shows on forecast marketing and media management.

Blenheim is paying £2.05m initially, to be paid by the issue of 384,000 shares which are available to shareholders under a clawback arrangement.

Further payments of up to £1.5m may be made depending on profitability. PEL has warranted profits for the year to next June of £250,000. At that level the maximum consideration would be £4.5m and the exit multiple 13.

Blenheim says it made pre-tax profits of at least £1.43m in the year to last August end, against £202,000 the previous year. Earnings are shared between at least 12p, a rise of 8p per cent.

Guinness to sell US wineries

Guinness, the drinks group, said yesterday that it was putting up for sale the US wine producing and marketing assets of Somerset Group, its large American distribution offshoot.

The businesses being sold - either individually or as a package to interested buyers - have combined sales of about \$20m (£12.25m). They comprise two California wineries - the San Martin and Concession vineyards - as well as the Barbecilla and Boncherson wine brands and Somerset Vineyard Cellars, the wine sales and marketing arm of the Somerset group.

Guinness said the sale was consistent with the new global strategy outlined earlier this year by Mr Anthony Tennant, chief executive, to concentrate resources on the development of the group's international spirits and brewing businesses.

TSB shareholders

TSB Group shareholders who have not paid the second 50p instalment for their shares by October 23 will be disenfranchised, the group said yesterday.

So far 99 per cent of shareholders, accounting for £68m out of the £69m due, have paid the second instalment. In order to ensure that the remaining shareholders have no excuse for not paying, TSB is sending out 20,000 recorded delivery letters with a final reminder in them.

Reebok/Pentland

Reebok International, the 27 per cent owned subsidiary of Pentland Industries, has estimated record net sales for the third quarter to end-September of £408m (£251.23m), 41 per cent higher than last year's total of £289m.

Net income is estimated at \$40m (\$45m) or 42 cents per share (42p), adjusted to reflect a two-for-one stock split on August 25.

## Telephone Rentals pays £18m for distributor

By Richard Tomkins

Telephone Rentals, the telecommunications equipment group, yesterday reported an 18 per cent increase in profits from £5m to £5.9m for the six months to June and announced the acquisition of V Band, a distributor of dealer board systems to UK financial institutions.

The £18m acquisition is being funded through a placing of 6.9m new Telephone Rentals shares with institutional investors at 260p a share by merchant bank Kleinwort Benson. Telephone Rentals' existing shares closed up at 475p.

V Band is the sole UK distributor of dealerboards made by V Band Corporation of the US. It is said to have about 20 per cent of the UK dealerboard market and its clients include banks, stockbrokers and insurance companies.

The company made pre-tax profits of £1.7m on turnover of £10.7m in the year to October 1986. In the current year, pre-tax profits have shot up to £2.5m on turnover of £10.5m in the nine months to July because of the exceptionally high level

of activity in the City produced by last autumn's Big Bang.

Telephone Rentals acknowledges that this level of activity is unlikely to be sustainable in the short term, but it is confident of long-term growth in the company's sales to financial institutions in the City and the rest of the UK.

Turnover for the group as a whole rose from £28.2m to £33.3m. After a tax charge of 38.2 per cent to 38.6 per cent, earnings per share rose by 15.5 per cent from 5.90p to 6.92p.

An interim dividend of 2p (2.75p) has been declared.

Chairman Sir Charles Ball said UK pre-tax profits rose by 18.9 per cent as margins on sales improved and the benefits of three years' investment in rental installations began to come through.

Overseas profits rose by 12.7 per cent with improved results from France and South Africa and break-even in the US and Australia. The group's position in Canada had been strengthened through the purchase of two more companies.

### comment

Telephone Rentals' purchase of V Band ranks among the bargains of the year at first sight: assuming £4m pre-tax for the full year, the acquisition comes on an exit price/earnings multiple of 7. The catch is that TR will only see the last quarter of this profits bonanza before V Band slips back into a more characteristic contribution next year around the £2m mark, so leaving the group struggling to avoid dilution of earnings.

The City is looking for £21m overall this year, putting TR's shares on a prospective pie multiple of nearly 18. A figure that high seems to take a lot on trust about the speed with which synergistic benefits can be wrought from V Band's merger with the rest of the group and, indeed, about the resilience of demand for dealer board systems in the event of a bear market. Meanwhile the bid rumours lose credence with every week that passes without the emergence of a suitor.

had, she said, been well received and the level of orders is expected to increase compared with the same season this year.

Similarly the new Dusk collection - launched last year as a younger, less expensive range with its own design and marketing team - is faring well. Dusk should make its first contribution to group profits in the first half next year.

Frank Usher is now evaluating proposals to acquire collections in the US, through a franchising agreement with a US clothing manufacturer. In the longer term it is considering the possibility of expansion into retailing.

Mrs Anne Bruh, managing director, said that the group has enjoyed healthy sales growth in the first half. The group's 1986 collections

share rose to 8.1p (7.3p) and the interim dividend is increased to 2p (1.5p).

Frank Usher went public last year. The flotation was staged shortly after the Bruh family, which founded the business, bought it back from Stormgard, the textiles holding group.

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## Usher rises 20% in first half

By Alice Rawsthorn

Frank Usher Holdings, the fashion house which is quoted on the USM, yesterday unveiled a 22 per cent rise in pre-tax profits to £280,000 for the first half of the financial year.

In the six months to July 31, the company's turnover rose to £5.5m (£4.8m) reflecting healthy sales growth in both its domestic and overseas markets. Frank Usher now gleams 45 per cent of its turnover overseas, principally from West Germany, Canada and the Benelux countries.

Operating profits increased to £211,000 (£177,000) in the interim period. Interest deducted £21,000 (£24,000) and taxation £12,000 (£20,000). Earnings per

share rose to 8.1p (7.3p) and the interim dividend is increased to 2p (1.5p).

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## Philip Coggan on P E Kemp Holding's Third Market debut Raising the first-night curtain

ENTER, stage left, a "theatrical" engineer, clad in hose and hat. It is a tantalising image but in real life, theatrical engineers like Mr Peter Kemp are not quite so flamboyant. They are the people who turn the designer's fancies into the wooden solidity and mechanical wizardry of the stage set.

This week, Mr Kemp's company, P E Kemp Holdings, is making its debut on the Third Market. Since the company was founded in 1989 by Mr Kemp and his partner Mr Denis Lee, it has been involved in many big name productions.

The boat that rocked in Muriety? That was built by P E Kemp. The barricade thrown up by the revolutionaries in Les Misérables? P E Kemp again. And the roster includes many other musicals such as Barnum, Evita, Cats and Chess and operas like The Flying Dutchman, the Mikado and the Barber of Seville.

Theatres are not always ideally designed to cope with the demands of modern staging. "Some are horrendous and some are terrific," reflects Mr Kemp ruefully, and on occasion producers make impossible demands.

In The Man in the Moon, Mr Kemp was required to build an ejector tower to shoot Charlie Drake on to the top balcony.

Mr Kemp has been rather more successful at engineering the rise of his company over the



"We sweated all through the night," recalls Mr Kemp, "but there was no way we could increase the speed at such short notice, so we decided to bluff it out."

The next day, the producer asked if the system was quicker and Mr Kemp replied "A little". The bluff worked. On the night, after Charlie was successfully elevated, no faster than before, the producer turned to the engineer and said, "That's fine".

Mr Kemp has been rather more successful at engineering the rise of his company over the

past few years. It has expanded its range to include exhibition stands - it once built a revolving turntable to house a Boeing 737 - and the complete refurbishment of theatres like the Playhouse in London. In the past year, P E Kemp has also acquired two carpentry companies - Bert Richman and Victor Mara.

The result has been substantial growth in profits. In the year to October 31, 1986, pre-tax profits were just £24,000 but last year the company made £137,000 and it is forecasting

£295,000 this year.

In 1980, the company was bought by the Rank Organisation but Rank sold it back to Mr Kemp in 1984 for just over £200,000. That buy-out was later funded via a Business Expansion Scheme issue through which shareholders were offered 35 per cent of the equity.

Under the current issue, sponsor Dennis Murphy, Campbell is placing 700,000 shares at 60p per share, putting a market value on the group of £2.7m. The prospective pie at the placing price is just over 11.

The proceeds of the offer - around £360,000 after expenses - will be used to pay off debts incurred in funding the two recent acquisitions.

Unlike the USM and the main market, BES companies are allowed to join the third tier. Some have predicted that a flood of BES flotations would result, but the prospects for such issues took a knock recently when Neilson Leisure had to abandon its plans for a Third Market listing when it became clear that it would not meet its profits forecast.

However, the P E Kemp new issue price indicates that the original BES investors have already more than doubled their money, even before one allows for the tax relief. One group of investors, at least, who are now likely to be dubbed Les Misérables.

## Hambro Countrywide

A partial offer to shareholders of Hambro Countrywide was accepted on behalf of 43 per cent of the shares in the estate agent chain which is creating a life assurance company in association with Guardian Royal Exchange. The acceptance figure represents just over one third of the eligible shares.

Shareholders were allowed to accept the 150p offer by a group of institutions for up to half of their shares. With Hambro Bank - now holding 61 per cent of Countrywide - and GRE promising not to accept, the institutions are willing to buy about 23.1 per cent of the outstanding shares. Hambro's stake will fall to 52 per cent as a result of the GRE venture.

Although Countrywide shares traded as low as 145p last Tuesday (yesterday 171p) before the offer was announced on September 8, the shares remained above the offer price yesterday, closing at 150p.

PPS buy

Prudential Property Services, wholly-owned subsidiary of the Prudential Corporation and one of the UK's largest estate agents, has acquired Johnston & Co, York, share-based estate agent.

## Hollis in C\$18m Canadian bid

By Clay Haines

Hollis, the engineering and professional services company controlled by Mr Robert Maxwell, yesterday announced a cash offer for Vancouver-based Columbia Computing Services which values the leading North American supplier of micro-computer software for schools at C\$17.2m (£2.4m).

The C\$17.2m share bid has been recommended by CCA directors who will accept on be-

half of their aggregate shareholdings of more than 30 per cent in early trading yesterday in Toronto. CCS shares were quoted at C\$64.

Hollis said the acquisition would enable its E.J. Arnold subsidiary, the UK school equipment supplier and educational publisher, to expand in North America.

CCA's offer, which will be used in educational ad-

ministration, including class scheduling, attendance records and school reports.

In the year to March, it reported pre-tax profits of C\$800,000 on sales of C\$6.7m. Its products are installed in 2,000 schools in nine Canadian provinces, 46 US states and 23 other countries.

CCA would become part of the financial and professional services division which Hollis plans to spin off to its shareholders with a separate listing.

## Quarto profits lower

Quarto Group, USM-quoted creator and marketer of high-quality illustrated books which is incorporated in the US, saw taxable profits fall from £368,000 to £298,000 in the first half of 1987. Turnover rose from £2.97m to £4.17m.

The directors declared a gross interim dividend of 1.5p (nil) and after tax of £10,000 (£130,000), earnings per share fell from 3.6p to 2.7p.

They also announced a one-for-four rights issue to raise £2.5m. The bulk of the sum raised - £1.5m - would be used to fund the acquisition of two trade and technical magazines, Construction Industry International and International Mining, while the balance would be used to finance further expansion and enable the group to respond to the development opportunities available. It is issuing 1.9m new shares of com-

mon stock of par value US\$0.10 at 130p each on the basis of one for four.

Mr Laurence Orbach, chairman, was looking forward to the second half with confidence. Quarto was launching the first range of its concept gift kits in stores.

He said that in the first half sales were only marginally ahead of the corresponding period last year, reflecting a drop in turnover on the book packaging side and increased sales in other activities.

In the early part of the year sales were soft in the US, picking up only in late spring. But the acceleration had been rapid and he expected to deliver a record number of books this year.

Forward orders and new title output have never been higher; sales were buoyant and for the full year were expected to exceed comfortably those of 1986.

## WEEKEND FT REPORT

## HOME INTERIOR DESIGN

The Financial Times proposes to publish a Report entitled  
**Home Interior Design**  
on:  
**Saturday 24 October 1987**

For details of advertising rates please contact:  
**Sue Mathieson**  
on 01-489 0033

### COMPANY NEWS IN BRIEF

DOWDY GROUP has acquired the Nottingham based electronics company J Jones Automation for £17,000 cash.

BRITISH VITA in response to the recent rights issue of 9,161,704 new 25p ordinary shares, shareholders have subscribed for 8,513,347 shares representing approximately 93 per cent of the issue. The balance has been sold in the market and net proceeds will be distributed to qualifying shareholders. Company also announced that following unqualified approvals from the relevant authorities, the acquisition of Metzeler Schaum GmbH has now become unconditional.

ICELAND FROZEN Foods Holdings has purchased A J M Prosser Foods who trade as Igloo.

AAH HOLDINGS: All the main trading divisions had made an encouraging start. Mr W M Pybus, the chairman, told the annual meeting. He said their respective results to-date were encouraging, and he was confident he would be able to report a satisfactory group performance for the half-year to September 30. The elimination of mining declared would enhance earnings per share.

CARDIFF PROPERTY: Company has exchanged contracts for the purchase of two freehold commercial properties for a total consideration of £268,710 to be met by the issue of 107,000 Cardiff ordinary.

PLESSNEY: Company has purchased a further £100,000 principal amount of £15m 7 1/4 per cent debenture stock for cancellation.

BRUNNING GROUP has acquired MPR Communications for an initial consideration of £249,850 cash and ordinary shares to the value of £68,625 and by the issue of loan notes. Total consideration will depend on the growth in after-tax profits of MPR for the three years to March 31 1989. Brunning directors said prospects for the group continue to be encouraging.

ICELAND GROUP: In respect of the offer for Baltic, by 5pm on October 5 acceptances had been received from holders of 8,878 Baltic ordinary (approximately 35.5 per cent). Since making the offer, Iceland has acquired an option over 3,000 Baltic ordinary, which shares have been assigned to the ordinary offer and are therefore included in the acceptances. Acceptances have been received from holders of 11,500 preference (46 per cent). The cash alternative is conditional on the offer becoming or being declared unconditional in all respects.

BULA RESOURCES: Shares in the USM quoted Irish oil company were suspended yesterday at the company's request, pending an announcement.

be met by the issue of 107,000 Cardiff ordinary.

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## JOBS

## Latest indicators of main executive perks

BY MICHAEL DIXON

"DON'T you get bored crunching out all those tables?", asked a youthful reader the other day. My reply of course was that, like the flowers that bloom in the spring, the tables in the column are not to be crunched. They have nothing to do with the case.

The only important question is whether you people on the receiving end are on the whole bored by them. If not, tables will go on appearing whenever useful figures become available which, in the autumn and spring pay survey seasons especially, is often.

My belief that you mostly do not find such figures tedious is based not only on the inquiries I receive about them, but also on the way you tend to go about reading the FT in general. I have watched a lot of you at it over the years on trains, buses and so on.

It is rarely a sight to strike pride into those of us here whose output is largely in words. A fairly standard pattern of behaviour, for instance, is to look quickly over the front page, then flip to the back and do the same before turning inside to the paper's later pages stuffed with numbers, and settling down for a really good read.

As to my own attitude - while not going to the same extreme, I often find fascination buried in numbers too. Some examples lie in the table above which, as in previous October's, is drawn from the annual survey of executive pay and fringe benefits which is made by Inbicon Management Consultants. Anyone desiring more information

|                         | Full<br>time<br>of<br>company<br>%<br>% | Allowance<br>for use<br>of own car<br>%<br>% | Subsidised<br>lunches<br>%<br>% | Subsidised<br>private<br>telephone<br>%<br>% | Help<br>with<br>housing<br>%<br>% | Life<br>insurance<br>%<br>% | Free<br>medical<br>insurance<br>%<br>% | Share<br>option<br>scheme*<br>%<br>% | Loans<br>at low<br>interest<br>%<br>% | Bonus<br>%<br>% | Bonus<br>as % of<br>residual<br>earnings<br>% |
|-------------------------|---|--|---------------------------------|--|-----------------------------------|-----------------------------|--|--------------------------------------|---------------------------------------|-----------------|---|
| Managing directors      | 98.3                                    | 2.1  | 51.1                            | 61.7   | 16.8                              | 95.1                        | 86.1                                   | 88.5                                 | 10.8                                  | 53.0            | 19.6  |
| General managers        | 89.6                                    | 9.4  | 46.7                            | 49.3   | 16.4                              | 86.8                        | 80.4                                   | 73.2                                 | 9.6                                   | 47.1            | 17.7  |
| Company secretaries     | 93.5                                    | 2.0  | 52.3                            | 41.8   | 15.7                              | 96.0                        | 86.9                                   | 76.4                                 | 12.4                                  | 41.2            | 15.1  |
| Personnel executives    | 83.9                                    | 3.2  | 62.3                            | 43.2   | 12.4                              | 94.5                        | 81.1                                   | 71.5                                 | 12.2                                  | 44.4            | 10.3  |
| Financial executives    | 85.1                                    | 3.6  | 52.1                            | 39.0   | 12.4                              | 94.5                        | 81.2                                   | 69.6                                 | 9.2                                   | 33.9            | 13.7  |
| Production executives   | 81.1                                    | 3.9  | 44.9                            | 44.1   | 7.8                               | 95.1                        | 80.4                                   | 67.2                                 | 5.1                                   | 40.9            | 12.9  |
| Chief engineers         | 65.8                                    | 7.0  | 55.6                            | 46.1   | 9.9                               | 93.3                        | 71.8                                   | 48.2                                 | 6.3                                   | 40.1            | 10.6  |
| Distribution executives | 67.5                                    | 4.9  | 48.0                            | 31.7   | 8.1                               | 95.1                        | 66.7                                   | 59.3                                 | 4.9                                   | 39.4            | 11.1  |
| Purchasing executives   | 63.0                                    | 5.4  | 56.2                            | 23.3   | 5.9                               | 92.2                        | 69.2                                   | 57.8                                 | 7.5                                   | 43.8            | 9.6   |
| Sales executives        | 98.3                                    | 1.4  | 52.8                            | 50.8   | 7.1                               | 96.1                        | 79.8                                   | 58.0                                 | 6.9                                   | 47.2            | 14.3  |
| Marketing executives    | 91.1                                    | 1.3  | 62.0                            | 40.8   | 10.0                              | 92.8                        | 77.8                                   | 75.5                                 | 13.0                                  | 47.4            | 11.6  |
| Heads of R and D        | 77.8                                    | 2.4  | 59.5                            | 30.6   | 10.2                              | 97.9                        | 75.7                                   | 67.8                                 | 5.7                                   | 39.3            | 12.0  |
| Data-processing chiefs  | 75.5                                    | 7.0  | 55.3                            | 31.9   | 12.9                              | 90.3                        | 73.5                                   | 51.3                                 | 9.3                                   | 38.1            | 10.7  |
| All types - 1987        | 79.8                                    | 4.1  | 53.2                            | 40.2   | 10.6                              | 93.8                        | 76.4                                   | 64.3                                 | 7.9                                   | 43.7            | 13.8  |
| All types - 1982        | 77.7                                    | 6.4  | 71.0                            | -  | 7.4                               | 92.4                        | 63.0                                   | 23.5                                 | 6.5                                   | 37.0            | 11.4  |

\* Figures are inflated because various types of option scheme are in operation, and several executives benefit under more than one type.

about the full study, which is comprehensive, should contact Peter Robinson at 197 Knightsbridge, London SW7 1BN; telephone 01-584 6171, telex 816333 Reicon G.

The report covers over 7,000 high-rankers employed in the United Kingdom by nearly 700 companies, of which 13 per cent were owned in the United States and 18 per cent elsewhere overseas. The table takes 12 types of senior people among those covered, and shows what percentages of each type had various sorts of perk. The 'All types' figures at the bottom do the same for all the executives taking part in the latest study, and for those surveyed five

years before. The median salary among the total samples, by the way, was £21,000 this year and £14,027 in 1982.

Unfortunately, in the case of one perk which has now become widespread - share option schemes - the figures given are inflated. The reason is that various kinds of option schemes are in use, and several of the executives enjoyed more than one of them.

Inbicon's full report shows separate percentages for each of three kinds of options given as a self-contained benefit, those acquired by executives at least partly by their own savings, and those provided under a profit-sharing scheme. But my table

has no room to do likewise. All I can add in compensation is that 23 per cent of all the managing directors and other board ranks surveyed still have no incentive payments whatsoever, not even a cash bonus.

For me, however, the table's fascination is in the per cent of a less spectacular sort than option schemes. One example is that the group enjoying the highest percentage of low-interest loans is marketing executives. Any one who has spent much time in their company will not need telling why.

Another instance is that the group most largely covered by life insurance is the chiefs of research and development. Can

it be that their enthusiasm for experimenting outweighs their concern for safety precautions? But an oddity which seems to defy explanation lies in the 'subsidised private telephone' column. It seems reasonable to suppose that, if sales executives and purchasing managers need to be in touch with business contacts outside working hours, it ought to be with each other at least as much as anyone else. So why is a subsidised telephone given to over half the sales chiefs but to less than a quarter of their counterparts in buying? Before leaving the subject of figures, however, I must add something less intriguing than a shaming. Several readers

have called about last week's executive pay table in which the overall median salary was given as £19,284 whereas in the accompanying article it was twice stated as £19,824. The right figure was £19,824.

The error arose because, as I've stopped writing on paper in favour of electronics and such, I cannot look simultaneously at both text and table to check them against one another. I am sorry, and promise to be extra careful from now on.

## Finance pair

RECRUITER John Williams seeks two people for City of London concerns he may not name. He therefore promises to abide by any applicant's request not to be identified to the employer at this stage.

The first job is for someone with eight years in financial markets, the last half in futures, to direct the futures division of an international money-broker. Salary around £80,000, which bonus could double, plus usual generous City perks.

The second is for a successful senior analyst or the like, expert in international bonds, to join a US-owned investment bank to advise its own fixed-income management staff as well as its clients. Salary about £80,000, again with munificent benefits.

Inquiries to Russell Williams and Associates, 43-45 St Mary Rd, London W5 5RQ; tel 01-579 1082.

## Japanese Equities Institutional Sales

£20,000-50,000+package

Our client is a leading international securities house with a large and reputable research operation.

They are looking to expand their established Japanese sales team by appointing an additional experienced salesman to sell Japanese equities to UK based institutions.

The ideal candidate will be a graduate with 1-3 years' experience of selling Japanese equities. An ability to speak Japanese is desirable but not essential.

Salary will be paid according to age and experience, and will be competitive with current market levels.

Please contact Janet Stockton or Timothy R. Wilkes at the Securities Division, 39-41 Parker Street, London WC2B 5LH or telephone them on 01-404 5751. All replies will be treated in strictest confidence.



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International Recruitment Consultants  
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## CAPITAL MARKETS PRODUCT DEVELOPMENT

to £30,000 + Bens

Our Client, a leading investment bank with a reputation for innovation in its product range, requires able young graduates to join a specialist team responsible for strategic advice to clients.

Interested applicants should have two years merchant banking experience with exposure to swaps, fixed-interest and equity related products, financial engineering and ideally should have contributed to the pricing of deals.

This is an ideal first move for ambitious executives keen to join a first rank organisation. Remuneration will be tailored according to experience.

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£ Excellent

We have been retained by a prestigious UK stockbroker to assist in the recruitment of an experienced equity analyst, covering Germany and Switzerland. This position, arising from the commitment to an increased research capability in Europe, reflects the continuing expansion of the team.

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Please contact Hilary Douglas or Christopher Lawless on 01-583 0073 (01-675 7121 outside hours).

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M & A - c£40,000

Our client, a major market player in international corporate finance is expanding its team of mergers and acquisition specialists. Major areas of responsibility will focus on the following:

- \* cross border acquisition financing
- \* flotations, disposals, new issues
- \* sophisticated financial packaging within the capital market

Applications are invited from highly motivated individuals aged 26-30, who wish to consolidate their relevant experience within a high profile team, or recent MBA's/ACA's looking to move into corporate finance.

For further details please contact Sara Bonsey. We also have opportunities for high calibre executives in all sectors within the major UK and International Investment houses. For professional advice on your next career move please contact:

Sara Bonsey - Corporate Finance and Banking  
Michael Williams - Capital Markets  
Carolyn Obbard - Investment Management

All enquiries will be handled in the strictest confidence.

18, Eldon Street, Moorfields, London EC2M 7LA. Tel: 01-588 4224

**CAPITAL FUTURES**  
RECRUITMENT CONSULTANTS

## Capital Markets Transaction Management

SWISS BANK CORPORATION INTERNATIONAL LIMITED is a leading investment bank with a substantial presence in the international capital markets. The bank enjoys a leading reputation as an international underwriter of both bonds and equities and the strength of our banking activities has been substantially reinforced by our recent acquisition of Savory Milin. We are currently looking to expand our specialist Transaction Management department, responsible for executing a mandate once it has been won, negotiating details with borrowers and liaising with outside lawyers and internal departments in the drafting of documents to ensure the deal is successfully concluded.

### Manager

c. £35-50,000 + bonus + benefits

Candidates will be experienced individuals, probably from the specialist department of a leading firm of City solicitors or another investment banking institution. A good knowledge of completing transactions across a range of products including Eurobonds, Equities, CDs, Swaps, Euronotes, Commercial Paper and Syndicated Loans is essential.

There are excellent prospects for career progression within SBICI and those who wish to apply should write, enclosing a curriculum vitae, to:

Mary Gaffney, Personnel Executive, Swiss Bank Corporation International Limited, Three Keys House, 130 Wood Street, London EC2V 6AQ.

### Executive

c. £20-30,000 + bonus + benefits

The bank also requires a qualified lawyer with a good academic background. Probably in their mid 20s, candidates must have the commitment to succeed in a highly competitive field, the flair for problem-solving and the ability to work in a small professional team. Although not essential, previous exposure to the international capital markets would be an advantage.

Based at the Group's UK Headquarters in North-East Surrey, close to the M25, the opportunity commands a progressive benefit package which will, where appropriate, include generous relocation assistance.

For a detailed and confidential discussion, call Neil Wax on 01-387 5400, or write to him with a full CV, stating current salary etc. to: Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

**Swiss Bank Corporation International Limited**

## Senior LIFFE Floor Trader

£ negotiable

The London branch of a major international banking and securities group is seeking to further expand its financial futures floor operation with the appointment of an experienced senior trader.

Reporting to the floor manager, and assuming full responsibility in his absence, the successful candidate is likely to be already working as a senior dealer for an active LIFFE operation. He/she will probably be in their mid-twenties and have a minimum of two years' floor trading experience.

For the exceptional candidate our client will negotiate a highly competitive remuneration package.

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FINANCIAL SERVICES  
£25 - 30,000 + Car  
+ Subsidised Mortgage

Our client is a leading U.K. financial services group, whose continued success in a highly competitive market has been based on innovative product development, aggressive marketing and the sustained efforts of a highly professional management team.

The next phase of their planned expansion includes a major commitment to building a significant presence in the secured-lending market. They are therefore seeking to appoint a Banker (or Accountant) with significant experience in financial underwriting/credit control, most likely gained in an established bank or finance house, to play a key role in the profitable development of this important area of potential business.

Reporting to the General Manager - Lending, you will make a major input to business policy, taking direct responsibility for the setting, monitoring and control of all underwriting standards, to maximising return while minimising risk. You will be a full member of the Group's Credit Committee, and responsible for the monitoring and control of arrears. Developing and maintaining close liaison with the external lenders on all aspects of policy and performance, will be central to the successful accomplishment of this role.

Based at the Group's UK Headquarters in North-East Surrey, close to the M25, the opportunity commands a progressive benefit package which will, where appropriate, include generous relocation assistance.

For a detailed and confidential discussion, call Neil Wax on 01-387 5400, or write to him with a full CV, stating current salary etc. to: Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN.

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## Fund Administration Managers

£18-23k + BENEFITS

Our client, one of the most successful Investment Management groups with an outstanding growth record, requires two Assistant Managers to strengthen its Investment Administration Division.

Managing a small, efficient team, you will be responsible for all aspects of unit trust portfolio administration and accounting. This will include pricing, valuations, preparation of trust accounts and considerable personal contact with fund managers and brokers.

Candidates must be able to demonstrate several years relevant experience of investment accounting and administration procedures probably gained in a unit trust group or investment

management company. Management skills are equally important. The remuneration package will include a generous salary negotiable in line with experience, a substantial performance related bonus and the usual range of large company benefits. Career prospects within this group are exceptional.

If you are interested in the above appointments, please write giving full details of your career to date and quoting ref: FT179 to: NDA Media Plus Recruitment, Clareville House, 4th Floor, 47 Whitcomb Street, London WC2H 7DH. All responses will be treated in strict confidence.

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Working closely with UK corporates to identify and design proposals to fulfil their requirements, you will be responsible for promoting, processing and administering its lending activities and developing business in the middle market and generally. Marketing, risk analysis and the ability to foster client relationships are essential skills for this challenging position. You will also make a valuable contribution to policy and planning decisions.

You are ideally aged 27-33 with at least 3 years' commercial banking experience with a bias towards companies with a turnover between £100-500m, and have proved to be an effective UK corporate banking marketer. You thrive on a varied and demanding workload and are able to perform to tight deadlines whilst maintaining high standards.

An attractive basic salary plus excellent banking benefits are offered to the successful applicant. To apply please write enclosing CV to: Caroline Humphreys of Crops, Sears & Associates Limited, Personnel Management Consultants, International Buildings, 71 Kingsway, London WC2B 6ST. Tel: 01-404 5701.

**Cripps, Sears**

### BANKING APPOINTMENTS

**MANAGER PROPERTY FINANCE** 35-40 c. £40,000 p.a.  
Prestigious international bank seeks an experienced banking property finance manager. The ideal person will be a name in the market and will have handled large City office developments for a bank with five years' experience in this field.

**ASSISTANT TO HEAD** 23-27 to £30,000 p.a. incl. OF BOND SALES

Our client seeks an assistant with 2-3 years' experience of bond sales or trading gained in a large institution to join this bank's capital markets operations. Must have covered sterling or dollar bonds as trader or broker. A good all-round background is sought and duties will include investigation of arbitrage deals.

**MULTI PRODUCT SETTLEMENTS MANAGER** 25-35 max salary mid £20s plus full range of benefits  
New securities house in course of setting up, seeks settlements manager with 3-5 years' experience to control basically bond settlements but as the organisation expands other capital market instruments will be traded and settled within the department.

**SENIOR BRANCH ACCOUNTANT/OPERATIONS MANAGER** 30s £25-£30,000 p.a.  
AIB with 5 years' experience as bank's accountant and operations manager sought by expanding European bank. The vital requirements are experience with IBM 36 with Mids and in-depth operational exposure to documentary credits and foreign exchange.

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**LJC BANKING**

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## Taxation Specialist

### Investment Banking

City

c £45,000 + bonus  
+ substantial benefits

The growth of this young and highly regarded international investment bank over the past few years has been dramatic. The operations of its group companies now extend to Tokyo, New York and other financial centres and future plans include further expansion into Europe and the Pacific basin.

The increasing breadth and complexity of its operations worldwide has led to the creation of this new position which reports to the Group Financial Director. All aspects of taxation will come under your control, with particular emphasis on global pricing policy, VAT, group tax relief and international tax planning. You will work closely with the group's professional advisers both in the UK and overseas and there will be some foreign travel involved.

Probably an accountant or lawyer by background, you will preferably have specialised in taxation matters since qualifying and now be near partner level in an international accounting or legal practice. You could also come from an equivalent position within the investment banking or financial services sector. An ability to relate to people at all levels and of different nationalities is essential, as are a high degree of technical competence and sound commercial sense.

Please write in confidence to John Cameron, quoting ref: CF824, at 84/86 Grays Inn Road, London WC1X 8AE (tel: 01-404 5971).

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## Equity Market Strategist

A leading UK securities house, well respected for the quality of its research, seeks an additional member for their Equity Market Strategy Team.

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Candidates, who will be aged 23-28 years old, will have one to three years of research or economic forecasting based experience in an institution or broking firm, and preferably an economic or mathematics orientated degree.

The attractive remuneration package will be competitive and is unlikely to be an obstacle in the appointment of the successful candidate.

In the first instance, please write to Timothy R. Wilkes at Michael Page City, 39-41 Parker Street, London WC2B 5LH. Strict confidentiality is, of course, assured to all respondents.



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Major Anglo-French financial  
group ... key rôle for a



## FRENCH EQUITY SPECIALIST

Our client is Laurence Prust & Co Ltd, a UK stockbroker noted for the quality and integrity of its Corporate Finance and institutional business.

The firm is associated with a premier French bank, Credit Commercial de France, who are prominent in New Issues and have been notably instrumental in attracting investors to the French stock market.

They now intend to recruit a top flight UK Institutional Sales professional, to specialise in sales of French equities to UK institutions. The appointee will join at senior level, with the prospect of heading this team in the foreseeable future.

He/she is likely to possess the following attributes:

- Age 35-45;
- Extensive and close contacts amongst international fund managers in UK institutions;
- Knowledge of global equities, and of the French market in particular.

If this is your background, the combined strengths of Laurence Prust and its banking partner will provide an ideal professional environment. Remuneration is negotiable, and will reflect the considerable strategic importance of this rôle within the group.

In the first instance, please contact Joanna Davies in confidence.  
Telephone 01-606 1706 (01-748 4337 outside office hours), or write to her at  
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## COMMODITIES AND AGRICULTURE

## Sobering outlook for the vineyards

IN VINO VERITAS is a particularly appropriate phrase in Brussels at present, for the problems of the Community's increasingly costly wine regime reflect wider truths about the Common Agricultural Policy.

Discussions in the Council of Ministers later this month will be characterised by sharp clashes between Northern member states and their Mediterranean counterparts. They will be influenced by intense political pressures from national capitals (notably Paris, in the build up to next year's Presidential election, but also Rome and Bonn) and they will illustrate vividly the genuine social problems of trying to tackle a persistent surplus created in the poorer regions of the European Community.

EC spending on wine is expected to swallow up Ecu1.3bn (E900m) in 1987—double the level of five years ago—but this figure includes Spain for the first time and the sector accounts for a relatively small 5 per cent of the total agricultural budget—just a third of what goes on cereals and less than a quarter of dairy expenditure.

Community support is restricted to "table" wines which account for about 70 per cent of European production and should be distinguished from quality wines, which are defined in different ways according to the member state concerned.

The real headache in the wine sector is not so much the immediate financial situation as the steadily declining trend in European consumption. Beer and spirits are grabbing a bigger share of the market in wine producing countries like Italy and France—Frenchmen drink 30 to 40 litres less wine on average per year than they did in the mid-1980s—while the recent Italian and Austrian wine scandals have done little for consumer confidence in the grape product.

The accompanying chart projects a gradual shrinking of the wine surplus between now and the early 1990s—but it is based on the somewhat optimistic assumption that production will be reduced by 25m hectolitres through a voluntary grubbing up (or uprooting) scheme and it still leaves an excess over internal and external requirements of 25m hectolitres by that date.

In the context of its general proposals for budget stabilisers, announced last month, the

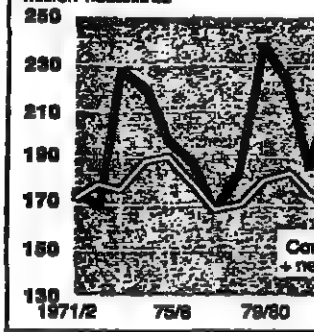


In the fourth article of our series on European Commission plans to cut the spiralling cost of EC farm policies, TIM DICKSON looks at the wine sector, where problems are exacerbated by a steadily declining trend in consumption.

European Commission has come forward with new ideas aimed at curbing production—but significantly it has refrained from setting the sort of guaranteed thresholds which in other sectors (notably cereals) are designed to keep spending under control on a year on year basis.

The aim of policy makers in Brussels is rather to cut production over the medium term via a combination of directly reducing the area covered by vines and indirectly discouraging high yields through a more restrictive price regime.

The outline of this strategy was first established at the Dublin Summit of 1984, an event which clearly demonstrated the political sensitivities at stake. Once again, however, the apparently tough talking of heads of state has not been followed through with common-sense action. Thus the Commission's proposal of last



year to cut back the producing area by limiting the extent to which growers could replace exhausted vines—a measure which is now described in a new paper on stabilisers as "indispensable"—has so far been ignored by the Council.

The lack of alternatives for many of the affected farmers forms a major political obstacle. In addition quality wine producers point out that their production is not in surplus and does not receive Community support.

Privately many observers feel that the best that can be hoped for from the discussions is that the scheme will be restricted to table wines and that the voluntary scheme—so far largely ineffective—will be reinforced.

The other targets of the Commission's attack are the various distillation schemes whereby producers are paid a guaranteed price to take table wine off the market (and under which it is distilled into largely unsaleable alcohol—the so-called "wine lake"). The fundamental problem is that these schemes were mainly devised in the days before Europe's wine surplus became permanent and were therefore intended to support producer incomes when market conditions were tough. The strategy now is to lower the average returns from this form of intervention so that the built-in incentive to over-production is removed.

The Commission is now proposing to phase out the guaranteed price to take table wine off the market (and under which it is distilled into largely unsaleable alcohol—the so-called "wine lake"). The fundamental problem is that these schemes were mainly devised in the days before Europe's wine surplus became permanent and were therefore intended to support producer incomes when market conditions were tough. The strategy now is to lower the average returns from this form of intervention so that the built-in incentive to over-production is removed.

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## Gulf states cut oil production

BY MAX WILKINSON, RESOURCES EDITOR

OIL PRODUCTION by all the major Gulf suppliers except Iraq fell in September, according to the latest monthly oil report from the Paris-based International Energy Agency.

It says that total output from the Gulf averaged 12.3m barrels per day in the month, compared with 13.8m b/d in August. This was in spite of an increase of 200,000 b/d by Iraq which is now sending more oil through its new pipeline to the Mediterranean. However, Iran's oil production fell sharply from an average of 2.9m b/d in August to 2.1m b/d in September, mainly because it was finding difficulty in selling its exports.

Output by the whole of the Organisation of Petroleum Exporting Countries fell to 18.5m b/d in September, compared with 19.9m b/d in August. This fall brought the group's

average production down to about the same level in the third quarter of 1987.

However, the IEA says that world demand for oil has risen since last year, while output from the US has continued to fall slightly. The Agency's latest estimate is that oil consumption in the third quarter of this year in the industrial world was 1.5 per cent higher than in the equivalent period of 1986. This would bring the growth rate in oil consumption in the first nine months of the year to an annual rate of 1 per cent, a rate which the Agency thinks will be sustained.

The growth of demand mainly reflects a 3 per cent year-on-year rise in petrol consumption in the US and Europe. However, deliveries of heavy fuel oil have fallen substantially since 1986.

## New York joins white sugar battle

BY DEBORAH MARGREAVES IN CHICAGO

NEW YORK'S Coffee, Sugar and Cocoa Exchange entered the refined sugar futures market this week with the launch of a white sugar contract.

While the contract traded just 100 lots on Monday—its first day—the exchange expects to see it build up gradually to reach around 20 per cent of the raw sugar futures volume in the next couple of years.

Raw sugar contracts in the CSE's dominant contract with an average daily volume of 15,000 to 16,000 contracts so far this year. The white sugar

futures contract is designed to provide arbitrage opportunities with raw sugar futures. It also reflects a change in the world sugar trade which is seeing more and more sugar moved in refined form in an exchange official explained.

Mr Bennett Corn, CSE president, is confident the new contract will win business from existing contracts in Paris and London, where the London Futures Options Exchange launched an automated market in July.

"If we do so to 85 per cent of the world's raw sugar futures trade, my bet is that we will do the major part of white sugar volume," he said yesterday.

The Coffee, Sugar and Cocoa Exchange's two raw sugar contracts account for over half of the exchange's overall business of some 25,000 contracts a day. Volume has slipped slightly on sugar this year, but Mr Corn expects it to pick up.

The exchange, which also trades options on coffee, sugar, expects to launch a white sugar options contract once futures have become established.

Further development of the market is expected as last January's 10 per cent drop. Mr Dooly argues that if no devaluation is undertaken, the best that farmers—squeezed by rising local input costs—can hope for is to break even at the end of the season.

Looking further ahead, the cotton board chief believes the country's farmers, encouraged by recent world price developments, will increase their acreage under cotton by at least 30 per cent next season. In fact, some 10 per cent of the crop planned for 1988 has already been sold. The bulk of Israel's cotton is sold to Western Europe, mainly to Germany and the Mediterranean countries.

How much farmers will earn from exports, which account for over 90 per cent of their total revenues, he says, will depend on whether the Government agrees to a

crop today accounts for over a quarter of Israel's total cotton production, a 10 per cent increase from several years ago.

Moreover, through new agricultural techniques, the country's scientists have managed to increase Pima yield significantly above the world average.

Greater emphasis has also been put on increased mechanisation and automation. Israel is the only country in the world today, Mr Dooly believes, in which the entire cotton crop is classified and graded by computer.

With their future looking much more certain today, Israel's cotton growers have become more preoccupied with the basic challenges of improving efficiency and productivity. To this end, they have come to rely increasingly on sewage and other types of recycled water for irrigation. Today over half the cotton in Israel is grown in water recycled from the

otherwise be flushed away.

## LONDON MARKETS

**ALUMINIUM PRICES** on the London Metal Exchange fell sharply yesterday, wiping out most of the advance of the previous few days. Values continued to rise in early trading—reaching 31-year highs in sterling terms—but profit taking set in as the upsurge ran out of steam. By the close the cash standard grade position was 543 tons at £1,283 a tonne. The cocoa futures market also came under pressure with the March position ending 221 lower at £1,210.50 a tonne. Dealers linked the fall with renewed weakness at the opening of the New York market, reflecting bearish chart patterns and the large world production surplus forecast recently by London trader GIL & DUFFY. There were also reports of Brazilian selling. In contrast the raw sugar market was very firm again on supply tightness and on resumed Indian and Soviet demand.

LME prices supplied by Amalgamated Metal Trading.

| Grade   | Unofficial + or - | High/Low  |
|---|-------------------|-----------|
| 99.75 Unofficial + or -   |                   |           |
| Alum. 1000-1000   | -48               | 1800/1870 |
| 2 months  | -20               |           |
| Official closing (am): Cash 1,283.50 (1,284.00), three months 1,335.50 (1,336.00), settlement 1,335.50 (1,336.00). Ring turnover: 400 tonnes. |                   |           |
| Alum. 1000-1000   | -48               | 1800/1870 |
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| 2 months  | -20               |           |
| Official closing (am): Cash 1,283.50 (1,284.00), three months 1,335.50 (1,336.00), settlement 1,335.50 (1,336.00). Ring turnover: 400 tonnes. |                   |           |

| Grade   | Unofficial + or - | High/Low  |
|---|-------------------|-----------|
| 99.75 Unofficial + or -   |                   |           |
| Cash 1000-1000  | -48               | 1800/1870 |
| 2 months  | -20               |           |
| Official closing (am): Cash 1,283.50 (1,284.00), three months 1,335.50 (1,336.00), settlement 1,335.50 (1,336.00). Ring turnover: 400 tonnes. |                   |           |

| Grade   | Unofficial + or - | High/Low  |
|---|-------------------|-----------|
| 99.75 Unofficial + or -   |                   |           |
| Cash 1000-1000  | -48               | 1800/1870 |
| 2 months  | -20               |           |
| Official closing (am): Cash 1,283.50 (1,284.00), three months 1,335.50 (1,336.00), settlement 1,335.50 (1,336.00). Ring turnover: 400 tonnes. |                   |           |

| Grade   | Unofficial + or - | High/Low  |
|---|-------------------|-----------|
| 99.75 Unofficial + or -   |                   |           |
| Cash 1000-1000  | -48               | 1800/1870 |
| 2 months  | -20               |           |
| Official closing (am): Cash 1,283.50 (1,284.00), three months 1,335.50 (1,336.00), settlement 1,335.50 (1,336.00). Ring turnover: 400 tonnes. |                   |           |

| Grade   | Unofficial + or - | High/Low  |
|---|-------------------|-----------|
| 99.75 Unofficial + or -   |                   |           |
| Cash 1000-1000  | -48               | 1800/1870 |
| 2 months  | -20               |           |
| Official closing (am): Cash 1,283.50 (1,284.00), three months 1,335.50 (1,336.00), settlement 1,335.50 (1,336.00). Ring turnover: 400 tonnes. |                   |           |

| Grade   | Unofficial + or - | High/Low  |
|---|-------------------|-----------|
| 99.75 Unofficial + or -   |                   |           |
| Cash 1000-1000  | -48               | 1800/1870 |
| 2 months  | -20               |           |
| Official closing (am): Cash 1,283.50 (1,284.00), three months 1,335.50 (1,336.00), settlement 1,335.50 (1,336.00). Ring turnover: 400 tonnes. |                   |           |

## INDICES

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**FT UNIT TRUST INFORMATION SERVICE**[illegible]











## LONDON SHARE SERVICE

**MINES—Continued**[illegible][illegible]

| The following is a selection of Regional and Irish stocks, the last traded on 11 February. |         |                 |         |
|--|---------|-----------------|---------|
| Altham Inc 25p   | 763     | Fin. 15th 97/02 | 620 7/8 |
| Cash & Rose 3c   | 763     | Amperis         | 345     |
| Febby Inc 25p  | 132 1/2 | Amperis         | 345     |
| High Line 25p  | 293     | Carroll Tech    | 260     |
| Irish Steel 10c  | 293     | Carroll Tech    | 260     |
|  |         | Neill (R & H.)  | 25      |
|  |         | Heath Wills     | 74      |
|  |         | Heath Wills     | 74      |
|  |         | Undera          | 43 1/2  |

| IRISH         |         |
|---------------|---------|
| Irish 33 1/2p | 293 1/2 |
| Irish 94 1/2p | 293 1/2 |

## TRADITIONAL OPTIONS

### 3-month call rates

|                 |        |                 |        |
|-----------------|--------|-----------------|--------|
| Industrials     | 40     | NEI             | 40     |
| Alstair-Lynce   | 40     | Nat West Brk    | 40     |
| BAT             | 62     | P & O Dis       | 62     |
| BSA             | 62     | Pfizer          | 62     |
| CSA Grp         | 55 1/2 | Polly Tech      | 55 1/2 |
| SSA             | 55 1/2 | Racal Elect     | 55 1/2 |
| STC             | 52     | RHAI            | 52     |
| Cabotage        | 52     | Reed Intl       | 52     |
| Barrington      | 52     | STC             | 52     |
| Shea Circle     | 52     | Seairi          | 52     |
| Boots           | 52     | TSB             | 52     |
| Bowaters        | 52     | TI              | 52     |
| Brit Aerospace  | 50     | Trust House     | 50     |
| Brit Telecom    | 50     | Turner EM       | 50     |
| Brit Telecomm   | 50     | Trust House     | 50     |
| Cadbury         | 34     | Unilever        | 34     |
| Carroll Cook    | 34     | Unilever        | 34     |
| Comm Union      | 34     | Unilever        | 34     |
| Coatlands       | 34     | Unilever        | 34     |
| CNF             | 34     | Unilever        | 34     |
| Gen Accident    | 95     | Wellcome        | 95     |
| GEF             | 22     | Brit Land       | 22     |
| Gilbert         | 20     | Land Securities | 20     |
| Gramp Met       | 20     | MEPC            | 20     |
| Guinness        | 45     | Peacody         | 45     |
| Guardian        | 45     | Phs             | 45     |
| GKN             | 38     | Brit Petroleum  | 38     |
| GUW W           | 17     | British         | 17     |
| Hawker Sid      | 52     | Chemical        | 52     |
| ICI             | 52     | Chemical        | 52     |
| Jaguar          | 52     | Chemical        | 52     |
| Ladbrokes       | 45     | Chemical        | 45     |
| Leeds Gen       | 45     | Chemical        | 45     |
| Leis Service    | 45     | Chemical        | 45     |
| London Lloyds   | 45     | Chemical        | 45     |
| Lyons Bank      | 45     | Chemical        | 45     |
| M&B & Spencer   | 45     | Chemical        | 45     |
| Mitochond       | 45     | Chemical        | 45     |
| Morgan Grenfell | 45     | Chemical        | 45     |

A selection of Options traded in March on the







## WORLD STOCK MARKETS

| AUSTRIA       |         |      |   | GERMANY      |         |      |   | SPAIN           |         |      |   | AUSTRALIA (Continued) |       |       |   | JAPAN (Continued) |       |     |   |
|---------------|---------|------|---|--------------|---------|------|---|-----------------|---------|------|---|-----------------------|-------|-------|---|-------------------|-------|-----|---|
| October 6     | Price   | ±    | ± | October 6    | Price   | ±    | ± | October 6       | Price   | ±    | ± | October 6             | Price | ±     | ± | October 6         | Price | ±   | ± |
| Creditanstalt | 2240.00 | -3   |   | AGF          | 321     | -4.5 |   | Alcazar         | 670.00  | +3.0 |   | News                  | 24.30 | +0.3  |   | Nippon Sekai      | 146   | +5  |   |
| Secur         | 3945.00 | +4.5 |   | Allianz Vero | 5905    | -15  |   | Banco Bilbao    | 3770.00 | +2.0 |   | Monaco Pacific        | 2     | +0.2  |   | Nippon Shagan     | 1170  | +10 |   |
| Bank Austria  | 3740.00 | -2.0 |   | Bank Austria | 3740.00 | -2.0 |   | Banco de Mexico | 1940.00 | +2.0 |   | North Sea             | 1.05  | -0.5  |   | Nippon Shagan     | 1170  | +10 |   |
| Anglo-Bank    | 3945.00 | -2.0 |   | Bayer        | 3725.00 | -5   |   | Banco Exterior  | 1820.00 | +2.0 |   | Overseas              | 0.53  | -0.03 |   | Nippon Shagan     | 1170  | +10 |   |
| Landbank      | 2000.00 | -10  |   | Bayer-Hype   | 325     | -3   |   | Banco Hispano   | 870.00  | -1.0 |   | Pacific Dunlop        | 5.80  | +0.2  |   | Nippon Shagan     | 1170  | +10 |   |
| Landbank      | 725.00  | -10  |   | Bayer-Hype   | 325     | -3   |   | Banco Hispano   | 1040.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +2.0 |   | Pioneer Corp.         | 4.90  | +0.01 |   | Nippon Shagan     | 1170  | +10 |   |
| Secur         | 3945.00 | -2.0 |   | Bayer-Hype   | 325     | -3   |   | Banco de Mexico | 1940.00 | +    |   |                       |       |       |   |                   |       |     |   |

## CANADA

[illegible]**MONTREAL**

|                  |         |        |        |       |
|------------------|---------|--------|--------|-------|
| 108108 Bank Momi | 531 1/2 | 29 1/2 | 29 1/2 | - 3/4 |
| 1822 Bombora     | 511 1/4 | 11     | 11     | -     |
| 1000 CSD         | 511 1/4 | 10 1/2 | 11     | - 1/4 |
| 1000 CSB         | 511 1/4 | 10 1/2 | 11     | - 1/4 |
| 24640 Casadeo    | 509 3/4 | 9 1/2  | 69 1/2 | -     |
| 48384 ComE       | 511 1/4 | 21 1/2 | 21 1/2 | -     |
| 36647 DomE       | 520     | 19 1/2 | 20     | + 1/4 |
| 310160 E         | 511 1/4 | 21 1/2 | 21 1/2 | -     |
| 290047 NafE      | 512 1/4 | 12 1/2 | 12 1/2 | -     |
| 15246 NorE       | 512 1/4 | 12 1/2 | 12 1/2 | -     |
| 65453 Power Corp | 516 1/2 | 15 1/2 | 15 1/2 | -     |
| 224000 R         | 511 1/4 | 10 1/2 | 10 1/2 | -     |
| 14050 Rept       | 511 1/4 | 10 1/2 | 10 1/2 | -     |
| 2400 RolE        | 514 1/4 | 14     | 14     | - 1/4 |
| 17952 RoyE Bank  | 532 1/4 | 31 1/4 | 31 1/4 | -     |
| 6000 SteinErgE   | 509 3/4 | 29 3/4 | 29 3/4 | -     |
| Total            | 511 1/4 | 14     | 14     | - 1/4 |

## Indices

NEW YORK

JUNE JONES

|                     | 1988/87  |           |           |           |           |           |                 |                 | Stock Completion |                 |      |
|---------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------------|-----------------|------------------|-----------------|------|
|                     | Oct 6    | Oct 5     | Oct 2     | Oct 1     | Sept 28   | Sept 25   | High            | Low             | High             | Low             |      |
|                     |          |           |           |           |           |           |                 |                 | 2722.42 (25/8)   | 1927.33 (25/8)  |      |
| Industrials         | 2,548.83 | 2,546.10  | 2,542.88  | 2,539.28  | 2,536.29  | 2,533.03  | 2,722.42 (25/8) | 1,927.33 (25/8) | 2,722.42 (25/8)  | 1,927.33 (25/8) |      |
| Transport           | 1,804.78 | 1,803.22  | 1,804.47  | 1,802.17  | 1,807.68  | 1,807.14  | 1,911.18 (24/8) | 1,618.38 (24/8) | 1,911.18 (24/8)  | 1,618.38 (24/8) |      |
| Utilities           | 187.8    | 201.94    | 200.75    | 198.24    | 198.95    | 198.83    | 247.83 (25/8)   | 181.39 (25/8)   | 247.83 (25/8)    | 181.39 (25/8)   |      |
| Trading vol         | -        | 18,046.88 | 18,075.88 | 18,200.28 | 18,379.88 | 17,932.88 | -               | -               | -                | -               |      |
| Year Ago (Reported) |          |           |           |           |           |           |                 |                 |                  |                 |      |
| Ind Vol Ytd %       | 2.81     |           |           |           | 2.82      |           |                 |                 | 2.73             |                 | 3.86 |

STANDARD AND POORS

|                     | 1987   |        |        |        |         |         | Stock Completion |               |
|---------------------|--------|--------|--------|--------|---------|---------|------------------|---------------|
|                     | Oct 6  | Oct 5  | Oct 2  | Oct 1  | Sept 28 | Sept 25 | High             | Low           |
| Industrials         | 372.83 | (-)    | 383.28 | 380.39 | 379.68  | 376.83  | 383.17 (25/8)    | 374.58 (25/8) |
| Composites          | 398.22 | 398.88 | 399.89 | 397.33 | 391.65  | 391.88  | 398.77 (25/8)    | 388.65 (25/8) |
| Year Ago (Reported) |        |        |        |        |         |         |                  |               |
| Ind Vol Ytd %       | 2.32   |        |        |        | 2.38    |         |                  |               |
| Ind P/E Ratio       | 23.17  |        |        |        | 22.71   |         |                  |               |
| Long Vol Bond Yield | 8.78   |        |        |        | 9.88    |         |                  |               |

N.Y.S.E. ALL COMMON

|               | 1987   |        |        |        |         | Stock Completion |               |               |
|---------------|--------|--------|--------|--------|---------|------------------|---------------|---------------|
|               | Oct 6  | Oct 5  | Oct 2  | Oct 1  | Sept 28 | Sept 25          | High          | Low           |
| Ind Vol Ytd % | 178.98 | 185.94 | 185.83 | 182.87 | 187.88  | 181.21           | 185.83 (25/8) | 181.21 (25/8) |

NYSE ALL FALLS

|               | 1987     |         |          | Stock Completion |          |
|---------------|----------|---------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1            | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81         | 1,891.81 |

SINGAPORE

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

SOUTH AFRICA

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

AUSTRALIA

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

BRITAIN

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

GERMANY

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

ITALY

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

JAPAN

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

KOREA

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

NETHERLANDS

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

NORWAY

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

SPAIN

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

SWEDEN

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

SWITZERLAND

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

TAIWAN

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

THAILAND

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

UNITED STATES

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

WEST GERMANY

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

YUGOSLAVIA

|               | 1987     |         |          |          | Stock Completion |          |
|---------------|----------|---------|----------|----------|------------------|----------|
|               | Oct 6    | Oct 5   | Oct 2    | Oct 1    | Sept 28          | Sept 25  |
| Ind Vol Ytd % | 1,891.81 | 1,891.8 | 1,891.81 | 1,891.81 | 1,891.81         | 1,891.81 |

**OVER-THE-COUNTER** *Nasdaq national market, 2:30pm prices*[illegible]

**LONDON**

|               |            |      |
|---------------|------------|------|
| <b>RISES:</b> |            |      |
| Bien. Exhibs  | .....630xx | + 80 |
| Calor Gr.     | .....547   | + 24 |
| Empire Sts    | .....285   | + 18 |
| Finlay (J.)   | .....115   | + 8  |
| Kentish Prop. | .....288   | + 18 |
|               |            |      |
| Nat Hm Loans  | .....228   | + 12 |
| STC           | .....307   | + 19 |
| Volex Gr.     | .....481   | + 15 |
| Whitbread A   | .....343   | + 8  |
| York Tr.      | .....186   | + 13 |

**FALLS:** Martin A. 163 - 8

|                |     |     |               |      |     |
|----------------|-----|-----|---------------|------|-----|
| Argyll Gr.     | 235 | -10 | Meyer Intl.   | 456  | -19 |
| BL Circ. Inds. | 488 | -15 | Pilkington    | 311  | -16 |
| Courtaulds     | 518 | -15 | Plessey       | 215  | -6  |
| England (J.)   | 165 | -15 | Rothmans      | 437  | -11 |
| Guidehse Gr.   | 110 | -10 | Sears         | 167½ | -5½ |
| Lombro         | 339 | -8  | Smith New Crt | 318  | -8  |

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## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

**Continued on Page 42**



[illegible]

**Continued on Page 41**



## FINANCIAL TIMES

## WORLD STOCK MARKETS

## AMERICA

## Dow reels as interest-rate fears grow

## WALL STREET

INVESTORS' fears of higher interest rates pummeled Wall Street stock prices yesterday, causing a record fall in points terms in the Dow Jones industrial average, writes *Roderick Oram* in New York.

Bond prices managed to hold their own despite the bearish tone of the markets which was fuelled by an easing of the dollar, higher interest rates abroad and weak investor demand as the US Treasury prepared to auction \$15bn of notes yesterday and today.

The Dow Jones industrial average opened some 15 points lower and continued to slide through the morning to a loss of 45 points at mid-session. It stabilised briefly before resuming its drop during the afternoon.

It closed down 81.55 points at 4,568.63. The 3.5 per cent fall was surpassed in percentage terms by several days such as September 11, 1996 when the index dropped 4.8 per cent.

On top of the economic fundamentals pointing to higher interest rates, sentiment was crucially affected yesterday by a sell recommendation from Mr Robert Prechter, one of the leading market forecasters. He told his clients that the Dow was at a short-term high and could fall to the 2,300 level before rallying.

Traders were disappointed by the reverse. They had hoped that the stock market's relatively good performance recently had laid the groundwork for a modest rally, helped in particular by good third quarter corporate profit figures which are due out soon.

New York Stock Exchange volume was 178m shares with declining issues outnumbering those rising by 1,321 to 326. Contributing to the downturn was heavy selling via trading programmes linked to index futures.

Computer stocks which had underperformed the market the previous day more than gave up their gains. IBM fell 5% to \$151. Digital Equipment lost 3% to \$194. Unisys dropped 3% to \$55. Among software companies, Microsoft fell 5% to \$73. Lotus Development lost 5% to \$37.4 and Ashton-Tate declined 5% to \$30.9.

ITT fell 5% to \$62. Previously it had been up 5% on rumors it was selling its 24 per cent stake in STC, the British telecommunications and computer group. Both companies declined to comment.

In the takeover arena, Tenneco

jumped 3% to \$814 on volume of more than 3.4m shares by early afternoon, making it the most active New York Stock Exchange issue.

International Multifoods advanced 5% to \$374 following news that the Belzberg and Bregman families of Canada had disclosed a 7.4 per cent stake and might seek control of the food processor.

Best Stearns fell 5% to \$194. Jardine Strategic Holdings, a unit of Jardine Matheson, the Hong Kong investment and trading house, began its \$23 a share tender for 20 per cent of the Wall Street firm's common stock and some preferred shares.

Procter & Gamble fell 5% to \$99.4. It had risen 5% on Monday because of analysts' enthusiasm for Olestra, the company's fat substitute.

Despite the uncertain and bearish mood of the credit markets the price of the 8.75 per cent benchmark Treasury long bond edged up 1/8 of a point by late afternoon to 91 1/8, yielding 6.76 per cent, although it had been fractionally lower during the morning.

One factor overhauling the markets was the auction yesterday of \$7.25bn of four-year notes to be followed by \$6.75bn of seven-year notes today. Ahead of the sales, the indicated yields of the securities of around 9.4 per cent and 7.4 per cent respectively looked relatively attractive. But even at these levels, many investors might not buy because they believe interest rates are heading higher.

Debate over the Federal Reserve's policy intentions were heightened yesterday when it failed to supply as expected reserves to the banking system which would have eased the Fed funds rate. By early afternoon the rate at which banks lend reserves to each other was moderately firm at 7 1/4 per cent although it eased later to 7 1/4 per cent.

## CANADA

FALLING mining and industrial issues depressed Toronto share prices in busy trade.

Noranda dipped 3% to C\$35 in a weak mining sector, while Alcan Aluminium gave up 3% to C\$48 and Inco fell 3% to C\$39.

Energy issues continued soft, with Teco Canada off 3% to C\$35 and Gulf Western down 3% to C\$23. Class A shares of Magna International, which said it expected lower profits in the first half of 1998, fell 3% to C\$19.

Gold was mixed. Montreal fell back and Vancouver edged lower.

## Bob King in Taipei examines a sharp correction

## Taiwanese whispers upset market

THE TAIWAN stock market's weighted index on Tuesday regained 17.82 of the more than 458 points it had lost over the preceding three trading days to close at 4,232.58, but the reasons for both the steep decline and following rise are still unclear.

Rumours sweeping the capital Taipei late last week that President Chiang Ching-kuo, 77, was seriously ill apparently triggered selling in a market which was already jittery over the nearly 2,400 points the index had climbed in a matter of weeks and over huge trading volumes, which most days for the past two months have been greater than that of the Hong Kong and Singapore exchanges combined.

The Government also announced over the weekend that it had begun investigating possible manipulation of share prices and other questionable practices at trading houses as well as certain unlicensed traders which some newspapers alleged



President Chiang Ching-kuo

may have been working with "big money" to skew the market.

On Monday, the Securities and Exchange Commission denied allegations of market manipulation and attributed the market's fall to rumours surrounding the president's health.

The market certainly fits the definition of "overheated." Analysts say, for instance, that the market capitalisation of one local commercial bank, at \$3.2bn, is only slightly less than that of Chase Manhattan, at \$3.5bn. Trading has also become more like outright gambling, and many of the more savvy investors have pulled out, leaving the field to "the little old ladies" and possibly a few predators.

The SEC, alarmed at the pace of the index's rise, would understandably like to cool things off a bit. But announcement of this intention drew charges of interference from various quarters, causing the SEC to back off for the time being.

The Government has, meanwhile, flatly denied the rumours about Mr Chiang's ill health and on Monday the speaker of parliament, Mr Nieh Wen-yu, told reporters that the president will speak in person at celebrations on October 10 marking Taiwan's national day.

## EUROPE

## Stockholm and Madrid undeterred by lower trend

SWEDISH and Spanish shares stood out with records in an otherwise lower market trend in Europe yesterday. The lower dollar hurt exported blue chips on major bourses and there were no fresh incentives to inspire investors.

Frankfurt ended broadly lower as foreign investors retreated and the dollar declined. A lower overnight close on Wall Street also contributed to a drop in prices. The Commerzbank index shed 20.4 to 1,988.4.

Chemicals, which gained sharply during last week's rally, led the downturn in heavy trading. BASF fell DM1.90 to DM342.50, Bayer lost DM2 to DM372.50 and Hoechst shed DM2.20 to DM332.70.

Bond prices dipped sharply on several factors, including news that the Bundesbank had set a higher minimum bid rate on its latest repurchasing tender. The Bundesbank bought DM108.1m worth of paper after selling DM50.7m on Monday.

Zurich was hit by mild profit-taking after Monday's record and prices turned out with an easier bias in moderately active trading. The Credit Suisse index eased 0.4 to 644.3.

Major banks were lower where changed after leading the market on Monday. But medium-sized banks moved ahead with Banca del Gottardo adding FF40 to FF1,180.

Amsterdam weakened in active trading in the absence of any fresh factors to lift the market. The ANP-CBS index dipped 0.9 to 101.7 as the market waited for today's announcement of a new Dutch state loan.

International shares eased after a weak start. Unilever lost F1 120 to 137.50, Royal Dutch shed F1 170 to F1 263.50, and Philips was down 50 cents at F1 51.60.

Aircraft maker Fokker eased 30 cents to F1 58.20 after news it had joined a consortium of eight firms bidding for a Nato precision ammunition order.

Paris edged fractionally higher in

## LONDON

THE steep opening fall on Wall Street sharply depressed London equities towards the end of a sluggish and cautious session.

Investors appeared to remain circumspect prior to the Chancellor's statement today at the Conservative Party's conference.

The FT-SE 100 index closed down 17.9 at 2,367.9 and the FT Ordinary index fell 15.4 to 1,853.2.

GDIs led around 4% of a point but held their ground despite New York's early stumble. Details Page 46.

quint, technical trading. The CAC index inched up 0.2 to 410.9.

Early attempts to stage a rally fizzled out as concern over rising interest rates continued, depressing the portfolio and financial sectors.

Elsewhere, Volvo dropped FF41 to FF674 in the auto sector and Provoost led textiles lower with a FF25 decline to FF645.

Brussels drifted lower in thin, directionless trading as persistent political tensions continued to haunt the market. The Brussels stock index lost 12.02 to 5,138.72.

Reserve, the share of Societe Generale de Belgique, fell BF40 to BF3,510 on the first day of subscriptions to the 1-for-10 share issue. Among other holdings, Sofina lost BF175 to BF174.725.

Stockholm sailed to its fifth consecutive record in heavy trading, buoyed by strong domestic liquidity. The Aftersveariden general index advanced 0.5 to 991.3 as most sectors moved upwards.

Among blue-chip engineering concerns, Volvo gained SKr5 to SKr115, but Electrolux slipped SKr3 to SKr338 and Asea fell SKr2 to SKr438.

Ose turned mixed as nervousness over the political situation set in. The 1998 draft state budget gave

## ASIA

## Nikkei builds advance on high techs and steels

## TOKYO

HIGH-TECHNOLOGY stocks continued to command investor attention in Tokyo yesterday, helping to lift the Nikkei stock average close to a record, writes *Shigeo Nishitani* of Jiji Press.

Large-capitalisation stocks also remained popular while machine tools were sought selectively.

The market barometer rose 70.64 to 26,088.57, only 30 short of the record of 26,118.42 posted last September 1. Buying accelerated towards the close, lifting turnover from Monday's 788.06m shares to 1,142.18m. Gains outnumbered losers by 516 to 385, with 142 issues unchanged.

A check in the yen's decline spurred buying by institutional investors in the afternoon, despite continuing fears of an interest-rate increase and the creation of a capital gains tax for securities transactions.

High-tech issues were most popular. Hitachi advanced Y40 to Y1,580 with 71.58m shares changing hands. Fujitsu and NEC climbed to highs of Y1,590 and Y2,620, respectively, with gains of Y40 and Y90 in active trading.

Matsushita Electric Industrial reached a high of Y2,570 at one point in the session but later slipped slightly to close at Y2,560, up Y90, while Ricoh added Y20 to a record Y1,440.

Buying also spread to the second group of high-tech issues, with Citizen Watch climbing Y30 to Y865, Sharp adding Y10 to Y1,280 and Canon Y30 to Y1,500.

Machine tools, which have been largely neglected since last year, were back in favour, reflecting greater investment in equipment following a recovery in business.

Sumitomo Heavy Industries rose Y12 to Y438, while Asahi Diamond rose Y190 to Y1,980 on purchases by investment trusts. Toshiba Tungaloy closed Y34 higher at Y749 and Mori Seiki added Y130 to Y2,130.

Large-capital issues were also bought, but more selectively than in

## SOUTH KOREAN

share prices were pushed to record levels by brisk buying prior to three consecutive market holidays. The composite price index closed up 12.14 at the new peak of 509.57, beating the previous high of 507.97 set on August 21.

Financial and quality issues led the charge as 6.4m shares changed hands, compared with 4.7m shares on Monday. Turnover of won 97.2m was won 23.7m up on the previous session.

Daelish Securities and Dong-suh Stock each added won 1,300 to won 37,890 and won 39,290. Samsung Electronic was won 1,900 higher at won 32,900. The market reopened on Saturday after the Chinese and Korean Alphabet Day holidays.

recent weeks. Nippon Steel topped the active list with 122.19m shares traded and added Y8 to Y298, while Mitsubishi Heavy Industries rose Y20 to Y980.

Financials gained some ground in the afternoon after morning dips. Mitsubishi Bank soared Y120 to Y3,080 after dropping Y10.

Finance Minister Mr Kiuchi Miyazawa's repeated denial of an official discount rate rise only slightly eased fears of a rate increase in the near future on the bond market.

But most dealers believe an increase is inevitable. If the August wholesale price index, to be announced on October 12, confirms the trend of price increases, the monetary authorities are expected to raise the discount rate.

The yield on the 5.1 per cent Government bond due in June 1998 went down from 6.180 per cent on Monday to 6.135 per cent on Mr Miyazawa's statement. It later rebounded to close at 6.235 per cent.

Prices registered a fifth consecutive gain on the Osaka Securities Exchange, with the OSE stock average advancing a strong 73.98 to a record 2,785.88. Trading soared from 77.24m shares on Monday to 169.52m shares.

## SINGAPORE

FURTHER bargain-hunting extended Singapore's gains, with blue chips faring best in modest trade. The Straits Times industrial index closed up 10.79 at 1,450.75.

Advances were led by DBS's 48 cent rise to S\$17.50. The bank's S\$300m share offer closed yesterday. ICS made up 39 cents to S\$11.80 and Malayan Banking was also 39 cents better at S\$7.89. In-coupe added 30 cents to S\$7.30.

Jurong Shipyard, again among the busiest, climbed a further 6 cents to S\$3.16, while other active included Sime Darby, up 4 cents to S\$3.70, and Malaysia Mining, up 3 cents to S\$3.02.

## HONG KONG

A LATE FIT of nerves over the high level of Hong Kong prices prompted a broad sell-off which left the market easier. The Hang Seng index dropped 37.80 to 3,966.44 in turnover of HK\$3.40bn compared with HK\$3.67bn on Monday.

Second string issues led the action, with trade busiest in Great Eagle, 30 cents off at HK\$5, and Lai Sun, 40 cents higher at HK\$2.25.

Falling blue chips included Cheung Kong and Hang Lung, each down 50 cents at HK\$33.50 and HK\$39.30 in turn, and Bank of East Asia, which fell 50 cents to HK\$33.50.

## AUSTRALIA

NEITHER the stronger Australian dollar nor the improved bullion price prevented Sydney share prices from easing. The All Ordinaries index closed down 6.4 at 2,247.25.

Gold was mixed despite firmer bullion, with Renison and Forsyth each 10 cents off at A\$15.40 and A\$4.80. Noranda Pacific and Whit Creek, though, added 10 cents each to A\$5 and A\$5.90 respectively. Banks firmed.

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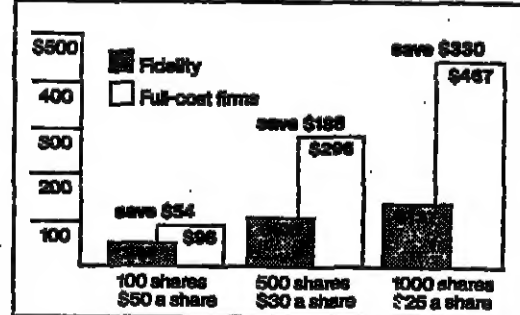
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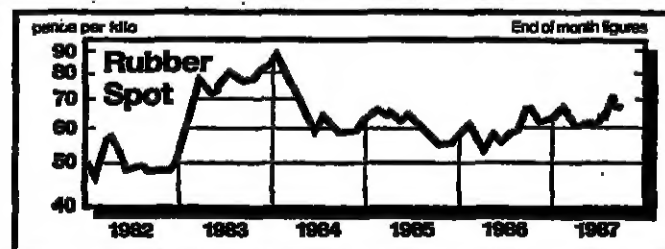
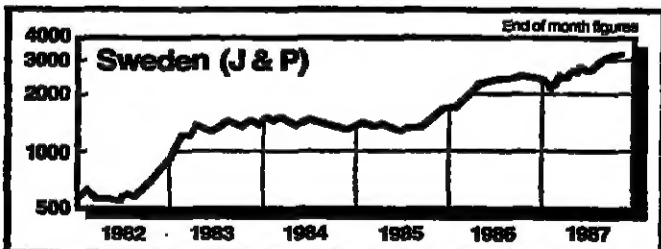
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## KEY MARKET MONITORS



| STOCK MARKET INDICES |           |           |          |  |
|----------------------|-----------|-----------|----------|--|
|                      | Oct 6     | Prev      | Year Ago |  |
| NEW YORK             |           |           |          |  |
| DJ Industrial        | 2,548.25  | 2,540.18  | 1,794.45 |  |
| DJ Transport         | 1,049.79  | 1,053.22  | 822.25   |  |
| DJ Utilities         | 197.9     | 201.04    | 200.20   |  |
| S&P Comp.            | 319.22    | 328.08    | 234.76   |  |
| LONDON FT            |           |           |          |  |
| Ord                  | 1,858.3   | 1,873.7   | 1,257.3  |  |
| SE 100               | 2,367.9   | 2,388.8   | 1,578.9  |  |
| A All-shares         | 1,213.82  | 1,222.18  | 763.88   |  |
| A 50                 | 1,228.47  | 1,237.29  | 811.52   |  |
| Gold mines           | 444.6     | 439.5     | 329.4    |  |
| A Long grt           | 9.95      | 9.81      | 10.41    |  |
| World Gt. Ind.       | 157.18    | 157.18    | 95.77    |  |
| (Oct 2)              |           |           |          |  |
| TOKYO                |           |           |          |  |
| Nikkei               | 26,088.57 | 26,018.33 | 17,564.4 |  |
| Tokyo SE             | 2,131.91  | 2,119.87  | 1,492.31 |  |
| AUSTRALIA            |           |           |          |  |
| All Ord.             | 2,247.2   | 2,253.4   | 1,253.6  |  |
| Metals & Mins.       | 1,377.4   | 1,380.6   | 636.1    |  |
| AUSTRIA              |           |           |          |  |
| Credit Aktien        | 227.72    | 228.83    | 235.55   |  |
| BERLINIAN SE         |           |           |          |  |
| SE                   | 5,126.70  | 5,138.70  | 3,758.67 |  |
| CANADA               |           |           |          |  |
| Toronto              |           |           |          |  |
| Met & Mins.          | 3,432.5   | 3,507.5   | 2,175.0  |  |
| Composite            | 3,881.9   | 3,918.10  | 3,016.3  |  |
| Montreal             |           |           |          |  |
| Portfolio            | 1,901.48  | 1,939.50  | 1,517.62 |  |
| DENMARK SE           |           |           |          |  |
| SE                   | 208.31    | 195.42    |          |  |
| FRANCE               |           |           |          |  |
| CAC Gen              | 4,010.30  | 4,012     | 382.5    |  |
| Ind. Tendency        | 105.50    | 107.10    | 94.19    |  |

| CURRENCIES (London)  |        |        |        |        |
|----------------------|--------|--------|--------|--------|
|                      | Oct 6  | Prev   | Oct 6  | Prev   |
| US DOLLAR            |        |        |        |        |
| Oct 6 Previous       | 1.6290 | 1.6240 |        |        |
| US                   | 1.6290 | 1.6240 | 3.00   | 2.9825 |
| DM                   | 148.70 | 148.80 | 239.50 | 239.50 |
| FF                   | 6.1075 | 6.1075 | 9.56   | 9.56   |
| SP                   | 1.8325 | 1.8325 | 2.4975 | 2.4925 |
| Lira                 | 2.0545 | 2.0725 | 3.37   | 3.365  |
| Yen                  | 1.394  | 1.392  | 2.181  | 2.181  |
| BF                   | 38.10  | 38.25  | 62.20  | 62.10  |
| CS                   | 1.3050 | 1.3065 | 2.1305 | 2.1345 |
| INTEREST RATES       |        |        |        |        |
|                      | Oct 6  | Prev   |        | Prev   |
| 3-month US           | 10 1/8 | 10 1/8 |        |        |
| 6-month US           | 4 1/4  | 4 1/4  |        |        |
| 1-year US            | 4 1/4  | 4 1/4  |        |        |
| 3-month UK           | 6 1/8  | 6 1/8  |        |        |
| 6-month UK           | 6 1/8  | 6 1/8  |        |        |
| 1-year UK            | 6 1/8  | 6 1/8  |        |        |
| FT London Interbank  |        |        |        |        |
| 3-month (offer rate) | 6 1/8  | 6 1/8  |        |        |
| 6-month US           | 6 1/8  | 6 1/8  |        |        |
| US Fed Funds         | 7 1/4  | 7 1/4  |        |        |
| US 3-month Cds       | 8.00   | 8.175  |        |        |
| US 6-month T-bills   | 6.545  | 6.570  |        |        |